



# City of Lake Forest

## Five Year Strategic Plan

### 2011 - 2016





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## OVERVIEW OF THE FIVE-YEAR STRATEGIC BUSINESS PLAN

The Five-Year Strategic Business Plan (“Plan”), first initiated by the City Council in 1999, serves as a touchstone for elected officials and staff to guide short-term and long-term projects and programs along with associated activities and resources. Updated every two years, the Plan serves as a tool to allow the City to assess its current status, identify future goals, and develop strategies towards achieving those goals.

Section I highlights strategic issues, community demographics, and community priorities. Chapter 1 defines strategic issues – the most important issues facing Lake Forest over the next five years. Chapter 2 provides an overview of population, housing, and economic characteristics. Chapter 3 summarizes key findings from the City’s biennial resident and business surveys, most recently conducted in 2010.

Section II provides a high level review of the financial resources available to address strategic issues and community priorities. Chapter 4 presents an overview of revenues while Chapter 5 provides an overview of expenditures. Chapter 6 identifies carryover appropriations which bring unspent balances forward from Fiscal Year 2009-10 along with anticipated carryover capital projects budgeted in Fiscal Year 2010-11. Chapter 7 identifies those programs and projects that have been deferred until funds become available.

Section III outlines the proposed operating programs and capital improvement projects for the five-year planning period. Chapter 8 provides information on six new operating programs while Chapter 9 describes thirteen capital improvement projects. Chapter 10 focuses on the Opportunity Study Area (OSA) Public Facilities Business Plan and the current status surrounding the public facilities projects and private development activity.



**SECTION I**

**STRATEGIC ISSUES  
AND  
COMMUNITY PRIORITIES**



## CHAPTER 1

### VISION STATEMENT

Lake Forest will continue to be a safe, attractive and healthy community in which to live, worship, work and play. Our diverse community will foster the active involvement of its citizenry and businesses, and reflect a distinctive, suburban identity that relies upon an established image of lakes, creeks, forests, parks and open space.

### MISSION STATEMENT

The City of Lake Forest is committed to ensure an optimal quality of life for its community by providing innovative, effective and efficient services.

## VALUES

The City of Lake Forest values...

1. A community where people feel safe and can realize a higher quality of life.
2. Diversity, strength, and stability in the Lake Forest economy.
3. A circulation system which meets local and regional needs.
4. Dialogue with the community on current issues and those issues that challenge the future.
5. Recreational and cultural opportunities and facilities for the community.
6. Continual improvement of services and operations while maintaining a fiscally conservative approach to managing resources.
7. Integrity and high ethical standards in what we do and how we do it.
8. Unique characteristics, aesthetics and histories of the neighborhoods and communities of Lake Forest.
9. Leadership on municipal issues that affect Lake Forest.
10. Using creativity, innovation and evolving technology.

## STRATEGIC ISSUES

The more important concerns facing Lake Forest over the next five years (July 2011 – June 2016) are identified in this plan as “Strategic Issues.” Strategic Issues are identified by public input, as captured in biennial surveys and other inputs, including, but not limited to, public workshops, program evaluation forms, and the City’s online citizen relationship management program (AskLakeForest.com). These issues are important to help translate the community’s vision into reality. They serve as guides in developing projects in this 5-Year Plan, as well as City-wide and departmental goals for the City’s annual budgets. When considering Capital Improvement Projects in the 5-Year Plan, the City is cognizant of each project’s future impact to ongoing operational costs.

### TRAFFIC

Over the past 10 years, Lake Forest residents identified “traffic congestion” as either the most important or second most important issue facing the community. Prior to the recession, businesses also reported that “traffic congestion” was one of the top two issues facing the business community. The ability to travel to one’s destination safely and efficiently via the city’s traffic circulation system is not only an expectation of the community, but a core service of the City of Lake Forest.

The City also recognizes that factors outside of its control, such as growth in neighboring communities, motorists traveling through Lake Forest, and regional transportation patterns impact the community’s perception of traffic congestion and/or traffic delays. While occasional traffic delays may simply be unavoidable in Southern California, the City has applied a combination of strategies to alleviate chronic traffic delays on local arterials, such as adding roadway capacity, traffic signal synchronization, and citywide traffic modeling. For example, the 2006 El Toro Road Traffic & Landscape Improvement project reduced traffic congestion and improved traffic safety by adding new travel lanes and new turn lanes, along with coordinating traffic

*The ability to travel to one’s destination safely and efficiently via the city’s traffic circulation system is not only an expectation of the community, but a core service of the City of Lake Forest.*

signals between the I-5 Freeway and Trabuco Road. A newly developed Lake Forest traffic model allows engineers to model a future project's impacts to the city's traffic circulation system. The City has also initiated Phases 1 and 2 of the Traffic Signal Synchronization project.

In addition, the City is constructing gap closure projects such as the Alton Parkway and Rancho Parkway projects to help meet highway capacity needs of the community. Lake Forest staff will continue to collaborate with the City of Irvine, County of Orange, Orange County Transportation Authority (OCTA) and other stakeholders to establish closing the Portola Parkway gap as a regional priority and to have shelf-ready construction plans as soon as practical. The 1.1-mile gap lies within an unincorporated area of the County of Orange and within the sphere of influence of the City of Irvine.

The City has developed the Lake Forest Transportation Mitigation (LFTM) program to improve traffic circulation in anticipation of the Opportunities Study Area (OSA) developments currently planned in the City. By using citywide traffic modeling, the LFTM program has identified sixteen traffic intersections that require improvements associated with the OSA development. Funding for LFTM will come from three sources – Opportunities Study Area developers, the City of Irvine, and the Foothill Circulation Phasing Plan.

To create traffic calming and decrease traffic delays, the City will soon construct four streetscape projects on El Toro Road, Jeronimo Road, Rockfield Boulevard, and Trabuco Road. Traffic congestion relief and streetscape projects will be made shelf-ready to enhance opportunities for outside funding as well as early project implementation. Staff will pursue programs that may provide benefit to Lake Forest residents and businesses. The City will also aggressively support the planning efforts for the completion of Route 241 to the I-5 connection.

## PUBLIC SAFETY

- Maintaining a Safe Community

In 2010, crime statistics provided by the FBI indicated Lake Forest had the 7th lowest crime rate ranking in America, as reported by the independent publishing and research group CQ Press. Using a variety of measures, the City is consistently found to be a safe community. Preserving a safe and peaceful community is a top priority for the City because the community values it.

To this end, Police Services will continue to provide a full breadth of law enforcement services to prevent and reduce crime and maintain neighborhood relations. In light of anticipated growth in population due to new housing units, Police Services will begin planning future resource deployment to ensure optimized patrol and other law enforcement services.



*Preserving a safe and peaceful community is a top priority for the City.*

The Neighborhood Enhancement Team (NET) is a strategy to address crime problems and various social issues that occur in the city. Utilizing a collaborative approach with various City departments and community stakeholders, the goal is to identify issues that concern residents and businesses, develop a strategy to address the concern, implement the plan, and assess it for results. NET allows each department that has a vested interest in the issue to be involved in the outcome, thus creating synergy. Members of the Orange County Sheriff's Department (OCSD) Special

Enforcement Team, a specialized detail that addresses issues that affect the community as they arise, will be included in NET meetings in order to provide a direct link to street level criminal activity.

A new strategy proposed by the OCSD which may assist in planning for future population growth is the use of crime analytical software. This software may be used as a predictive policing model throughout OCSD's jurisdiction, including Lake Forest. The goal of the crime analysis software is to increase operational efficiencies, improve staffing deployment, and identify crime trends.

- Emergency Preparedness and Homeland Security

Emergency preparedness and homeland security remain issues of concern to the community. The City will continue to pursue funding opportunities to mitigate or prevent disasters where possible and actively train staff and prepare the public to respond effectively to the actual occurrence of a disaster. The City will also communicate with the public during and after a disaster through AlertOC, an internet-based notification system. In addition, the Sheriff's Department and Orange County Fire Authority are completing area-specific emergency preparedness plans, including the Woods and Wildland Interface Areas, for public dissemination and practical application exercises. The City is also providing community members with the knowledge and practical experience they need to sustain themselves during an emergency and act as a resource to other members of the community through the Community Emergency Preparedness Academy (CEPA).

- Musick Jail Expansion

For well over a decade, City officials have worked diligently to minimize the community impacts of a potential Musick Jail expansion on the City's border. As the County moves forward with approval of the Master Plan for the future expansion of the Musick Jail Facility, City staff will continue to work collaboratively with the Orange County Sheriff's Department to ensure the previously negotiated agreements

that restrict the size, design and operational parameters of the expanded facility are observed. Additionally, the City will monitor the State's prison overcrowding crisis and budget deficit, and resultant pressure on the County jail system to absorb State inmates.

## COMMUNITY SERVICES AND PUBLIC FACILITIES

Community services and public facilities add to the high quality of life enjoyed in Lake Forest, and foster a healthy and vibrant community. Enhancing recreational opportunities for all ages and abilities, along with meeting park acreage per capita goals, have been consistent objectives since the City's incorporation. Several projects planned in the upcoming five years help meet the interests expressed in the 2010 Community Satisfaction Study by residents for community activities, special events, educational programs, performances and fitness and exercise programs.

- Lake Forest Sports Park and Recreation Center

The next five years will see the construction of a new sports park and recreation center, which likely will become the hub of active recreation in the community. Starting with public input through a series of community workshops, a consensus master plan was developed for the proposed Sports Park and Recreation Center. This master plan was the basis of an environmental analysis of the impacts of the Sports Park. The City anticipates finalizing design and starting construction of this facility in Fall 2011.

As part of the Sports Park and Recreation Center project, the City has acquired 73 acres of land to-date, and is working on additional site acquisition. These efforts, along with future park land dedications by developers, will assist in increasing the parkland acreage to bring the City closer to meeting its park acreage per capita goals.

- Development of Civic Center

In its initial planning stages, the City will engage the public to receive input on potential amenities and services offered at

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the future, permanent Civic Center. The Civic Center could potentially centralize civic uses such as meeting/conference facilities, administrative offices, emergency operations, special events, and the arts. With the current City hall lease expiring in 2014, the City will be focused on making sound decisions regarding the City's eventual "100-year home."

- Preserve and Enhance Existing Public Facilities and Recreational Opportunities

While residents have traditionally responded that they are very satisfied with the quality and diversity of the offerings provided by the Community Services Department, results from the Satisfaction Studies indicate the community's strong desire for preserving and enhancing existing facilities. In 2007, the City Council adopted a Recreation Master Plan and authorized the expenditure of \$8 million to implement various capital improvement projects. The City also acquired 43 acres of developed parkland by accepting Irrevocable Offers of Dedication at six parks – Alton, Borrego, Foothill Ranch, Borrego Overlook, Peachwood, and Tamarisk Parks.



In addition, based upon input from a series of public workshops, a restroom/snack bar was constructed at Heroes

Park, Pittsford Park was transformed into a Universally Accessible Park and renovation projects were completed at Alton, Borrego, El Toro, Foothill Ranch, and Ranchwood Parks. Construction projects at the Etnies Skatepark of Lake Forest, Concourse and Mountain View Parks, and the Shade Structure Program were also completed in 2011. Currently, plans are being developed for improvements to Tamarisk and Rimgate Parks. Completion of these capital projects represents the final improvements identified in the Recreation Master Plan. While completing the overall current project, the City intends to continue monitoring park amenities throughout the community periodically for improvement as warranted and resources permit.

## ECONOMIC DEVELOPMENT AND REDEVELOPMENT

The City's General Plan encourages a balanced community with opportunities to reside, work, shop, and play.

Employment opportunities and a vibrant local economy are important elements in the City's desire to maintain its quality of life and generate revenues to support desired services. Previous business satisfaction surveys show the City plays an important role in fostering a positive business climate. Consequently, offering programs and services that facilitate business growth and expansion will continue to be a strategic issue.

*The City's General Plan encourages a balanced community with opportunities to reside, work, shop, and play.*

- Maintaining and Strengthening the City's Economic Base and Business Climate

The City will use its Business Development and Attraction Program to enhance and diversify its economic base and employment opportunities. Program resources will be aimed at retaining businesses, encouraging growth and expansion, and attracting new businesses. Services and programs will respond to the needs of the business community as expressed in the 2010 Satisfaction Survey. To assist in meeting the varied needs of the business community, the City will continue to foster partnerships with local and regional business organizations, such as the Lake Forest Chamber of Commerce and the Orange County Business Council.

The City will prepare an Economic Development Strategy to assess opportunities and challenges and to ensure that the City remains competitive in retaining and attracting new businesses. The strategy will include program and marketing recommendations to ensure Lake Forest remains the “Natural Choice for Business.”

- Project Area Revitalization/Neighborhood Stabilization

The El Toro Road Redevelopment Project Area extends along El Toro Road from the Interstate 5 freeway to Trabuco Road. Revitalization of the Project Area was identified as a priority during the City’s incorporation. Residents and business owners shaped the vision for the Project Area shortly after incorporation by creating the El Toro Corridor Revitalization and Revisioning Strategy. The Strategy calls for the area to be a vibrant, thriving, successful commercial and business district that serves as one of the social centers of the community. The El Toro Road Traffic and Landscape Improvement Project and the new commercial centers (e.g., The Orchard and Home Depot Center) are examples of recent successes. Previous community satisfaction surveys show the community supports continuing efforts to improve and revitalize the corridor. Consequently, this continues to be a strategic issue for the City.



The Lake Forest Redevelopment Agency (“Agency”) will continue to work cooperatively with property owners to revitalize commercial and industrial properties and retain and attract businesses to the Project Area. The Agency’s efforts will be guided by the El Toro Corridor Revitalization and Revisioning Strategy and the Light Industrial Area Revitalization Action Plan. The time has come for significant improvements to occur in the Light Industrial Area. This will be a particular focus of the City over the next two years. The Agency may provide funding, which may include loans, for street, landscape, lighting, and facility improvement projects in the public right of way that will address existing and future needs, encourage private investment in the Project Area, and look for creative solutions to the issues that exist in the Project Area.

The recently adopted Housing Element and Agency Five-Year Implementation Plan will guide the City and Agency’s neighborhood preservation and affordable housing activities. Approximately 44% of the City’s housing was built prior to 1980 and is more than 30 years old. At the same time, economic and other conditions have stressed some neighborhoods. In response, the City will focus on understanding these conditions and will consider programs and projects to preserve and enhance existing neighborhoods. The recently activated Lake Forest Housing Authority will also facilitate these efforts. The City, Agency, and Housing Authority will work cooperatively on new affordable housing programs and projects that address existing and future needs. Development within the Opportunities Study Area will provide opportunities for new housing of all types and affordability.

*The Lake Forest Redevelopment Agency will continue to work cooperatively with property owners to revitalize commercial and industrial properties and retain and attract businesses to the Project Area.*

## COMMUNITY AND REGIONAL PLANNING

The quality of life in Lake Forest is impacted by land use decisions both within and outside of its city limits. The City must monitor and, when necessary, react to new development and regional planning efforts to ensure the high quality of life in Lake Forest is maintained.

*The Opportunities Study Area project is composed of five housing projects and the following six public facilities:*

- Sports Park
- Recreation Center
- Civic Center
- Alton Parkway
- Rancho Parkway
- Lake Forest Transportation Mitigation (LFTM) Intersections

## • Opportunities Study Area (OSA) Build Out

Five residential communities within the OSA area have transitioned into the specific project entitlement and building phase. This represents the development of approximately 4,800 new homes and the addition of more than 14,500 new City residents. Through the public review process, each specific development will be studied to insure the creation of a balanced and integrated community, with linkages to the existing fabric of Lake Forest and the provision of needed circulation improvements and recreational amenities. Plans have been approved for 68 homes as part of the Whisler Ridge development, and reviews are in process for the Shea-Baker, Portola Center, IRWD/Serrano Summit and Westbay Trust/The Pinnacle properties. Development of these properties will provide funding for needed traffic improvements identified in the Lake Forest Transportation Mitigation Program and the development of the Sports Park, Recreation Center and Civic Center.

### Rezoning in Lake Forest

The Lake Forest Opportunities Study calls for more park space and public facilities such as neighborhood parks, a sports park, and a community center in the study area. Below are the sites that have been studied:



①	②	③	④	⑤
<b>Shea/Baker Ranch</b> Total: 387 acres Park: 26 acres <b>Planned use:</b> 2,815 homes, mixed uses, neighborhood parks	<b>Portola Center/Baldwin</b> Total: 243 acres Park: 13 acres <b>Planned use:</b> 930 homes, sports park, neighborhood parks, commercial development	<b>Serrano Summit</b> Total: 82 acres Park: 3 acres <b>Planned use:</b> 833 homes and park, 9 acres reserved for Lake Forest civic center	<b>Whisler Ridge</b> 13 acres <b>Planned use:</b> 68 single-family homes	<b>The Pinnacle</b> 18 acres <b>Planned use:</b> 86 single-family homes

- Orange County Great Park and Heritage Fields

The City will continue to monitor the implementation of the Orange County Great Park and the development of Heritage Fields, an approximately 5,000 unit residential project on the former MCAS El Toro Air Station. The City will work closely with Irvine on the design and timing of circulation improvements that overlap with the planned traffic improvements in Lake Forest that are being constructed as part of the OSA build out with the goal being to enhance the traffic circulation in Lake Forest.

- Regional Planning

The City will continue to participate in planning forums regarding the Sustainable Communities Strategy (SCS) developed by the Orange County Council of Governments and monitor its integration with the regional SCS developed by SCAG. In addition, the City will proactively monitor the actions of the County of Orange, Air Quality Management District, Regional Water Quality Control Boards and other regional agencies as to their impact on Lake Forest.

- Collaboration with Outside Agencies

The City will continue to work with agencies across all jurisdictions that provide services to the City, promoting cooperation and collaboration.

## ENVIRONMENTAL/INFRASTRUCTURE

The following are strategic issues because they represent unknown future resource demands. In the case of water quality, the City will be responsible for meeting increasingly stringent regulatory requirements. Maintenance of the City's infrastructure, including designated regional flood control facilities, is also a growing area of responsibility.

- Water Quality/Pollution Prevention

Regulatory requirements have become significantly more stringent and resource intensive as a result of shrinking economic conditions and are further complicated by a lack of funding mechanisms and personnel resources. Municipal National Pollutant Discharge Elimination System (NPDES) permits issued by California Regional Water Quality Control Boards will require greater safeguards to reduce or eliminate pollutants from dry and wet weather storm drain discharges. Many requirements contained in the municipal NPDES permits issued from the Santa Ana Regional Water Quality Control Board and San Diego Regional Water Quality Control Board increase the burden on resources including: water quality inspections for industrial and commercial facilities; residential areas; homeowner's associations; structural Best Management Practice (BMP) facilities; water quality management plans; and follow-up investigations triggered by various water quality monitoring and sampling programs.

- Flood Control

Designated regional flood control facilities within Lake Forest include Borrego Canyon Wash, Serrano Creek, and Aliso Creek. To protect these areas, the City will continue to monitor the Orange County Flood Control District's efforts to improve, operate, and maintain these facilities.

- Landscaping

Community aesthetics will be enhanced through new and rehabilitated medians, parkways and slopes owned by the City. The City will also work on transitioning city landscaping to recycled water.



## STRATEGIC ISSUES: ORGANIZATIONAL CAPABILITIES AND CONSTRAINTS

The strategic issues are the more important challenges facing Lake Forest over the next five years. Addressing these matters – broadly characterized as Traffic, Public Safety, Community Services and Public Facilities, Redevelopment and Economic Development, Community and Regional Planning, and Environmental/Infrastructure – is the common goal of the programs and capital projects outlined later in this Five Year Plan.

The likelihood of making meaningful headway on these strategic issues is a function of the City's capabilities and constraints. A careful assessment of the organization's capabilities (i.e., strengths, talents and abilities) and constraints (i.e., restrictions or limitations) may assist decision makers in understanding the circumstances influencing the achievement of plan objectives. Recognizing the factors that impact City operations and finances also helps in plan formulation. Formulating programs and capital projects based upon knowledge of City capabilities and constraints helps ensure progress is achieved in translating the community's vision into reality over the next five years.

*Community members play a large role in creating and maintaining a “hometown” atmosphere, and help keep Lake Forest well positioned to prosper in the future.*

## CAPABILITIES:

- Active, Engaged Community

The City of Lake Forest was founded by volunteers, as was the Lake Forest Chamber of Commerce more recently. Residents volunteer at local schools, churches and homeowners associations while business community members also contribute to the overall quality of life. As discussed later in the Demographics chapter, Lake Forest is a well-educated community, which translates into a highly skilled workforce that draws top-notch employers to the city. Community members play a large role in creating and maintaining a “hometown” atmosphere, and help keep Lake Forest well positioned to prosper in the future.

- Service Model: Contract City

Since incorporation, Lake Forest has operated as a “contract” city, which is defined as a city that essentially, as a matter of basic approach and degree of use, provides municipal services by contract with another public agency or private organizations. For example, police services are provided by the Orange County Sheriff’s Department, while public works field services, water quality inspection and animal control are provided through contract with the County of Orange. Legal services, information technology, municipal engineering, landscape maintenance and building inspection services are provided via contracts with private sector firms. This service model has allowed the City to react nimbly to changing service level demands by expanding or reducing contract services in a cost effective manner. This service model has also allowed the City to keep its personnel costs at or below 25% of its operating budget.

- Sound Fiscal Practices

Lake Forest has a strong tradition of conservative fiscal management and planning. The City has an ongoing commitment to live within its means by carefully monitoring city expenditures and investing wisely by adhering to an investment pol-

icy more strict than what state law allows. The City also maintains fully funded reserves, including an emergency services reserve for providing services during a disaster, and an economic contingencies reserve to allow the City to withstand significant economic downturns. These practices have positioned the City to continue to offer value-rich services and new public amenities.

- Information Technology

Information Technology (IT) is a resource to provide the public with timely, convenient services and information while maximizing internal efficiencies. The City's Geographic Information System is at the core of the City's e-government initiatives and leverages the information available for decisions. Investments in imaging and agenda management technologies now enable residents to research and access public records online. Over the five-year planning period, technology will continue to be used in a cost effective manner to improve both public services and city operations.



- Communications

The City's communication capabilities have grown over the years to adapt to the changing needs of the community and the advancements in new media and technol-

ogy. The City currently utilizes a mix of traditional and newer forms of media to share information and news with residents and businesses within the community, including: printed newsletters and catalogs; in-person presentations; electronic newsletters; electronic press releases; various websites; a web-based citizen relationship management system; electronic emergency notification systems; and social media.

The City will continue to adapt to the evolving demographics of the community. As our “age 50 or better” demographic grows, along with the “millennial” demographic -- those that are now ages 14 to 32 -- the City will focus on maintaining those existing modes of communication that are most effective. In addition, the City will branch out into new territory, specifically utilizing more of the capabilities of social media in a way that is meaningful and relevant.

- Transparency

Lake Forest has long been committed to providing residents with easy, convenient access to the information they care about. The City currently utilizes available technology and various communication mediums to stay connected to our community. The City also makes an effort to present specialized and technical information in an easily comprehensible manner. As information demands change and public interest evolves, the City will continue to work to stay on top of emerging issues and proactively provide residents with the information they seek.

- Human Resources

Lake Forest’s employees possess a broad range of experience and expertise. With an average tenure of 6.5 years, employees in various stages of their careers have consistently risen to meet the challenges facing the city.

*Lake Forest has long been committed to providing residents with easy, convenient access to the information they care about.*

## CONSTRAINTS

- Economy and Impacts to City Revenues

According to the National Bureau of Economic Research, the nation entered a recession in December 2007 with a broad contraction of the economy. California is experiencing unheard of financial times, where conditions can change dramatically very quickly. Due to the decline in sales and property taxes as a result of the recession, funding available for capital improvement projects and ongoing operations has declined. Although it appears that the economy may be slowly recovering, the City must continue to be conservative in selecting and prioritizing new projects and programs in the upcoming years. Ongoing costs related to new programs and projects, such as maintenance costs, must also be projected and evaluated.

- State Budget

The economic downturn has been especially hard hitting for the State of California, which continues to face major budget shortfalls. Despite the passage of Proposition 1A in 2004 and Proposition 26 in 2010, which were intended to protect local government (cities, counties and special districts) revenues from being transferred to the California state government for statewide use, the City must remain vigilant regarding proposals that impose unnecessary or unfunded mandates, preempt local authority, limit local flexibility, or raid local/city/redevelopment agency finances.

- Limitations of Local Control

In recent years, the City's ability to "control its own destiny" has been impacted by external influences. The State of California and other regional and regulatory agencies have imposed unfunded mandates and/or increased regulations. Future City plans and programs may be influenced by court decisions, new legislation and regulatory decisions. The actions of neighboring cities also impact the City.



## CHAPTER 2 DEMOGRAPHICS

### SUMMARY

To address the needs of the local community, the City strives to understand its demographic characteristics and trends. Collecting, reviewing, and analyzing data on population characteristics, housing characteristics, and economic characteristics will guide the City in making sound, strategic decisions in a variety of areas, including service improvements and enhancements, budgeting, policy-making, and planning.

The current state of the economy will continue to affect local housing and local economics for the foreseeable future. Despite the downturn in the economy, the City has managed to fare better than many of its counterparts in Orange County and most of the rest of the country.

A snapshot of the City paints the following picture: Lake Forest is a well-educated community, with over 75% of residents having some college education or higher. This high level of educational attainment translates into a highly skilled workforce, with 75% of community members employed in Management/Professional and Sales/Office occupations. Residents also enjoy an above average median household income compared to the rest of the County. The majority of the City's current housing stock is owner-occupied and the 2010 housing market is showing signs of recovery with an increase in median home prices of approximately 10%.

Looking ahead, much like the rest of Orange County, Lake Forest's population is expected to become older and more ethnically and racially diverse. However, current aging projections for the City may be affected by the anticipated construction of up to approximately 4,800 new housing units associated with the Opportunities Study project, which is projected to attract young, professional families.

*Looking ahead, much like the rest of Orange County, Lake Forest's population is expected to become older and more ethnically and racially diverse.*

*Understanding the evolving characteristics of the community and emerging demographic trends is critical to the City's ability to meet the needs and wants of the local community.*

Understanding the evolving characteristics of the community and emerging demographic trends is critical to the City's ability to meet the needs and wants of the local community. Based upon current projections, the City will focus on offering programs to accommodate the interests of a broad spectrum of ages, from pre-schoolers to seniors. The City will also focus on projects and programs to bolster property values throughout the City, both in commercial and residential areas. Understanding that the City's residents are highly educated and expect to be recognized and compensated as such, the City will continue to focus its efforts on attracting employers who can utilize the local Lake Forest workforce. Finally, the City will proactively monitor the communication preferences of residents across all demographics as new technologies emerge to continue communicating in the most relevant ways possible.

## METHODOLOGY

To promote consistency and accuracy, the demographic data used throughout this chapter comes from two main sources: the California Department of Finance and Nielsen Claritas.

The California Department of Finance and the U.S. Census Bureau have historically differed in regards to population estimates within the state of California, with Department of Finance estimates being slightly higher. The Demographic Research Unit of the California Department of Finance is designated as the single official source of demographic data for state planning and budgeting. As such, the City has decided to use this data rather than data from the U.S. Census Bureau. The differences in the population estimates between the two agencies are based on different estimates of domestic migration – the movement of people between California and other states. The Department of Finance uses drivers' license address changes to estimate domestic migration, while the Census Bureau uses tax return data.

Nielsen Claritas is one of the leaders in the local area demographic industry and provides comprehensive analyses across a number of demographic variables.

## POPULATION CHARACTERISTICS

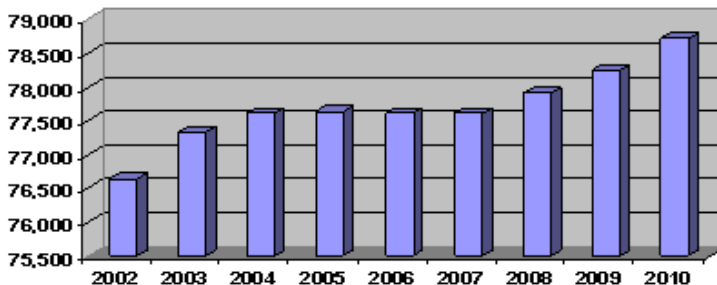
The City of Lake Forest is located in the heart of Orange County, the third most populous county in the state. With a population of 78,720, the City is the 13<sup>th</sup> largest city in Orange County (out of 34 cities) and the 101<sup>st</sup> largest city in the state (out of 480 cities), placing it in the top quartile of most populous California cities.

The City's population has grown at a modest rate over the past few years, with the City continuing to attract a diverse population of young professionals, families, and retirees. Current projections assume the City will maintain a modest rate of growth, although a population surge is expected in the upcoming years as a result of new residential/commercial projects based upon the Opportunities Study.<sup>1</sup>

*The City is the 13<sup>th</sup> largest city in Orange County and the 101<sup>st</sup> largest city in the state (out of 480 cities).*

Population <sup>2</sup>	
2002	76,640
2003	77,330
2004	77,610
2005	77,638
2006	77,605
2007	77,603
2008	77,906
2009	78,249
2010	78,720

**Population by Year**



<sup>1</sup> The Opportunities Study is a comprehensive planning process that the City of Lake Forest has undertaken to re-zone nearly 838 acres of land zoned for business and industrial use on five properties in Lake Forest. The zoning changes allow for a new plan with residential uses and facilities such as a sports park and community/civic center.

<sup>2</sup> State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark*. Sacramento, California, May 2010.

*The twenty-first century is ushering in significant demographic changes throughout the State, the County, and Lake Forest, one of which is the increasing ethnic and racial diversity within our community.*

## Ethnicity and Race

The twenty-first century is ushering in significant demographic changes throughout the State, the County, and Lake Forest, one of which is the increasing ethnic and racial diversity within our community.

The Population Profile from the U.S. Census states that the U.S. population is becoming more diverse by race and Hispanic origin, with the non-Hispanic White population decreasing significantly.<sup>3</sup> The Population Profile also indicates that the fastest growing race groups will continue to be the Asian and Pacific Islander population, and the Hispanic-origin population will be the largest growing group overall. Locally, the 2010-2011 Workforce Indicators Report issued by the Orange County Business Council states that "... by 2020, Latinos will be the largest ethnic group in Orange County, comprising 41 percent of the population in 2020, and 53 percent by 2050."<sup>4</sup>

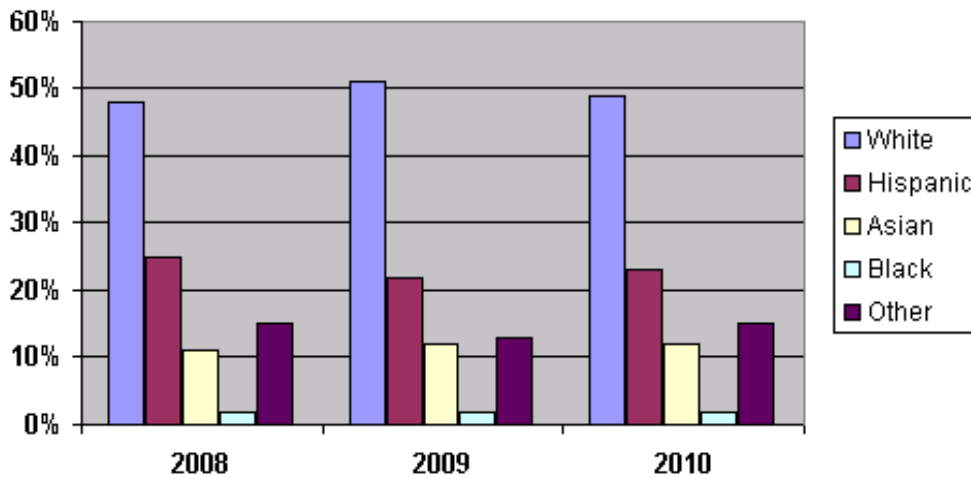
Ethnicity and Race <sup>5</sup>			
	2008	2009	2010
<b>White</b>	48%	51%	49%
<b>Hispanic</b>	25%	22%	23%
<b>Asian</b>	11%	12%	12%
<b>Black</b>	2%	2%	2%
<b>Other</b>	15%	13%	15%

<sup>3</sup> *Population Profile of the United States, U.S. Census Bureau, Population Division.*

<sup>4</sup> *Orange County Work Force: State of the County 2010-2011 Report*

<sup>5</sup> Nielsen Claritas 2010

**Population by Ethnicity and Race**



## Age

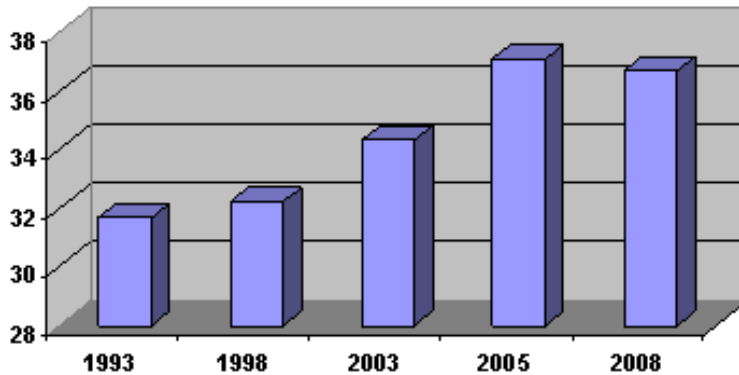
Demographic changes in our local population, particularly related to population aging, will impact the community and the local economy. This is a trend that is being seen throughout Orange County. Demographic projections indicate that by 2050, over 20% of the County's population will be over 65, compared to 10% in 2000. As the over 65 population increases, the 25-54 age group in Orange County is expected to decrease by as much as 10%.<sup>6</sup>

*Demographic projections indicate that by 2050, over 20% of the County's population will be over 65, compared to 10% in 2000.*

Population by Age <sup>7</sup>			
	2008	2009	2010
<b>Under 18</b>	26%	27%	27%
<b>18 – 34</b>	21%	20%	20%
<b>35 – 54</b>	31%	33%	33%
<b>55 – 64</b>	11%	11%	11%
<b>65+</b>	11%	9%	10%

<sup>6</sup> State of California, Department of Finance

<sup>7</sup> Nielsen Claritas 2010

Median Age Over Time<sup>8</sup>

### Education

The educational attainment levels of the City's 25-years-and-over population are representative of a well-educated community. Over 75% of residents have some college or higher, with a sharp increase in those individuals with a professional degree seen in the most recent data collection period. A number of benefits are associated with the attainment of higher levels of education as experienced by individuals and the communities in which they live. Research indicates that some of those benefits include higher median salaries, increased rates of homeownership, greater levels of entrepreneurship, greater neighborhood stability, and increased civic involvement.<sup>9</sup>

Educational Attainment <sup>10</sup>			
	2008	2009	2010
<b>Some College</b>	28%	28%	25%
<b>Associate</b>	10%	10%	10%
<b>Bachelor's</b>	24%	27%	30%
<b>Professional</b>	2%	2%	12%

The academic performance of the local school district along with the educational achievements of the City's high school students also fosters an environment that promotes

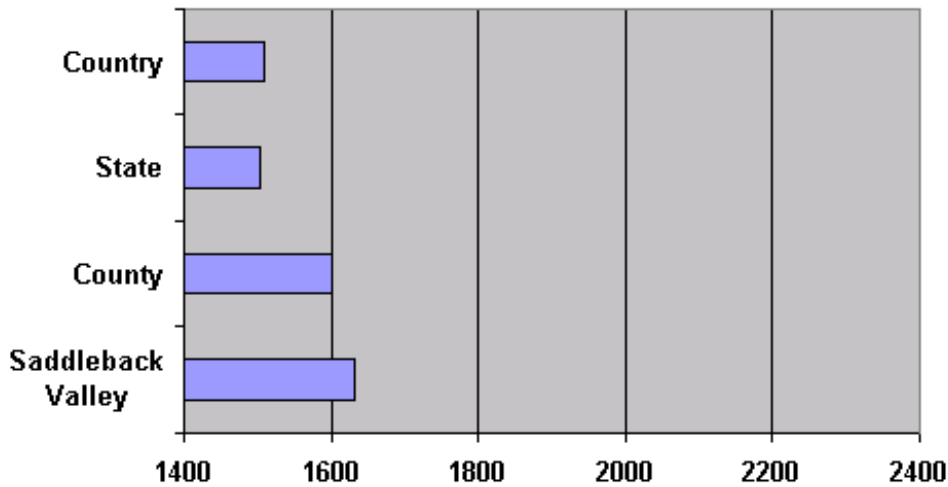
<sup>8</sup> 2010 Leadership Committee Presentation

<sup>9</sup> Alliance for Excellent Education: *Hidden Benefits: The Impact of High School Graduation on Household Wealth*, February 2007.

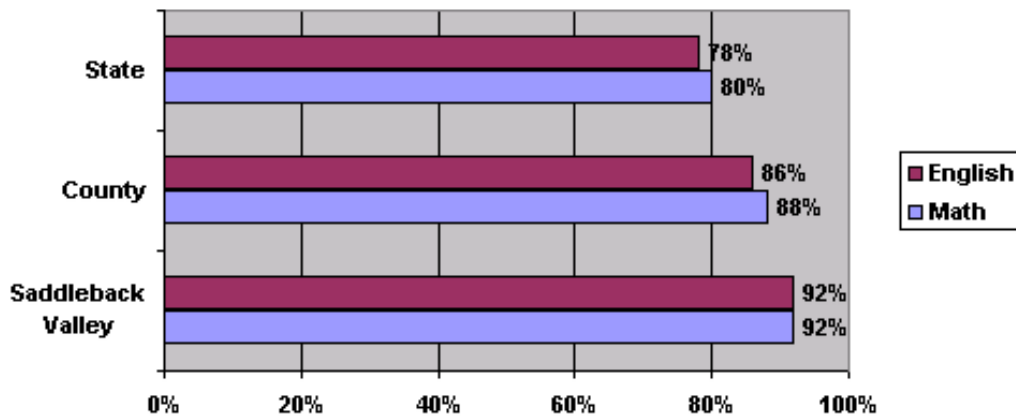
<sup>10</sup> Nielsen Claritas 2010

attainment of higher levels of education. The City of Lake Forest is part of the Saddleback Valley Unified School District (SVUSD). In key areas such as SAT scores and passing rates on high school exit exams, students of the SVUSD continue to perform at higher levels than the County averages.

**Average Total SAT Scores - 2009<sup>11</sup>**



**Passing Rates on High School Exit Exam - 2009<sup>11</sup>**



## HOUSING CHARACTERISTICS

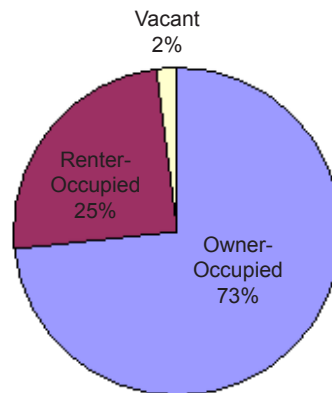
The decline in the housing market has had a major impact on communities throughout the country, and the City is no exception. However, based upon its prime location in the heart of Orange County, the declines seen in the City have

<sup>11</sup> Orange County Work Force: State of the County 2010-2011 Report

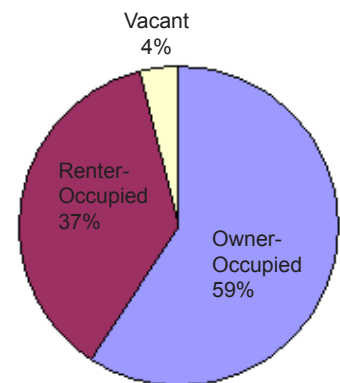
*It has been shown that cities with higher rates of owner-occupied homes enjoy engaged residents who actively participate in voluntary and political activities, residents who stay in their homes longer contributing to neighborhood stability, and stronger local communities.*

not been as severe as in other locales. In 2010, the Lake Forest housing market showed promising signs of recovery. When comparing the median home price for all homes sold in Lake Forest in 2009 and 2010, the 2010 market showed an increase in median home price of approximately 10%.<sup>12</sup> In addition, interest in homeownership is still very high. County-wide, the percentage of owner-occupied homes is 59%. The City has a significantly higher rate of owner-occupied homes at 73%. This higher rate promotes benefits to the individual homeowners and the community as a whole. It has been shown that cities with higher rates of owner-occupied homes enjoy engaged residents who actively participate in voluntary and political activities, residents who stay in their homes longer contributing to neighborhood stability, and stronger local communities.<sup>13</sup>

**Lake Forest Households By Tenure<sup>14</sup>**



**Orange County Households By Tenure<sup>14</sup>**



With a majority of residents being homeowners, it is important for the City to stay abreast of the overall aging of the housing inventory. Approximately 43% of homes in the City were built prior to 1980. However, the City may also soon see an influx of new housing based upon the Opportunities Study. The City Council has approved Zoning/General Plan/Development Agreements which would allow for up to 4,800 new housing units on five separate sites in the northern area of the city. These units will be built after project-specific entitlements are approved and at the

<sup>12</sup> MDA DataQuick for the California Association of Realtors

<sup>13</sup> *Social Benefits of Homeownership and Stable Housing*, National Association of Realtors, Research Division, August 2010

<sup>14</sup> State of California, Department of Finance, *E-5 City/County Population and Housing Estimates*. Sacramento, California, January 2010.

discretion of each landowner.

<b>Housing Units By Type (as of 2010)<sup>14</sup></b>		
	Number	%
Single Family (Detached/ Attached)	18,088	69
Multi Family	7,010	27
Mobile Homes	1,286	5
Total Housing Units	26,384	

## ECONOMIC CHARACTERISTICS

### Occupational Profile

The occupational profile of the community showcases a highly capable talent pool. Management, professional, and related occupations constitute 43% of occupations in the City, with sales and office occupations constituting another 32%. The high number of community members employed in white collar occupations coincides as expected with the educational profile of the City's 25-and-over population. Lake Forest residents also enjoy an above average median household income of \$95,107 which can be directly correlated to the highly educated workforce.

<b>Occupational Profile (as of 2010)<sup>15</sup></b>	
Management/Professional	43%
Sales/Office	32%
Service	11%
Construction/Maintenance	7%
Production/Transportation	6%
<b>Largest Employers</b>	
Oakley, Inc.	
Panasonic Avionics	
Black & Decker	
Apria Healthcare Group	
Wonderware Corporation	

<sup>15</sup> State of California, Department of Finance

## Assessed Property Values

The City has seen sizable increases in assessed property values from 2002 through 2010 due to the local housing market and a number of commercial projects. The slight downturn in 2010 is attributable to the recession and the slow down in the residential and commercial real estate market. Although assessed valuations are expected to remain static, or increase only modestly, the City does anticipate seeing a jump in assessed property values as OSA-related development proceeds.

<u>Assessed Property Values</u> <sup>16</sup> (expressed in thousands of dollars)		
Fiscal Year	Value	% Change
2002	\$6,914,121	
2003	\$7,434,939	7.5%
2004	\$7,986,021	7.4%
2005	\$8,553,392	7.1%
2006	\$9,258,891	8.2%
2007	\$10,155,956	9.7%
2008	\$10,894,704	7.3%
2009	\$11,182,546	2.6%
2010	\$10,808,745	-3.3%

## Construction Permits

Activity related to construction permits has varied over the years depending on the timing of permits issued. From 2003 to 2004, permit activity declined due to development being mostly built out in the Pacific Commercentre and Foothill Ranch areas. Construction permit activity increased in 2005 as the Arbor on El Toro Road construction began. This permit activity took approximately a year to complete resulting in lower permit activity in 2006. As expected, due to the current economy, the City is experiencing a drop in the number of construction permits issued and their valuation. Looking ahead, the City expects this trend of fewer permits

<sup>16</sup> Lake Forest Comprehensive Annual Financial Report 2010

issued and decreased valuation to likely reverse. Based upon planned Opportunities Study development, the City is anticipating a surge in construction activity over the upcoming five years.

Construction Permits			
Fiscal Year	# of Permits	Valuation	% Change
2002	1,573	\$61,881,503	
2003	1,594	\$53,394,469	-13.7%
2004	1,516	\$38,094,914	-28.7%
2005	1,378	\$50,531,799	32.6%
2006	1,138	\$36,447,681	-27.9%
2007	727	\$37,540,419	3.0%
2008	682	\$29,431,882	-21.6%
2009	714	\$25,374,844	-13.8%

### Sales Taxes

A significant indicator of the health of the local economy is the performance of businesses operating within the City. Although there has been a decline in sales tax due to the ongoing effects of the recession, the City continues to attract and retain local and corporate businesses based upon its business-friendly environment and proactive approach to supporting business.

Sales Taxes		
Fiscal Year	Amount	Year-to-Year % Change
2003	\$10,874,978	
2004	\$12,432,181	14.3%
2005	\$13,888,086	11.7%
2006	\$15,182,510	9.3%
2007	\$15,278,307	0.6%
2008	\$13,676,717	-10.5%
2009	\$12,482,010	-8.7%
2010	\$10,912,353	-12.6%



## CHAPTER 3 RESIDENT AND BUSINESS SURVEYS

### SUMMARY

Staying on top of evolving community sentiment is crucial to identifying current and future areas for improvement as well as ensuring that the appropriate resources are dedicated to maintaining a high level of service in areas of importance to the community. To gauge the community's satisfaction, priorities, and concerns as they relate to services and facilities provided by the City of Lake Forest, the City commissions Resident and Business Satisfaction Surveys ("Surveys") on a biennial basis. Over the years, the results have helped guide Council and staff in making sound, strategic decisions in a variety of areas, including service improvements and enhancements, budgeting, policy-making, and planning.

The most recent Surveys were completed in December 2010 and January 2011. The following summary will focus on the "Big Two" survey items – those determined to be highly indicative of the community's general perceptions of local and city issues as well as the community's level of overall satisfaction. Top issues for residents include traffic congestion, the local economy and jobs, crime and public safety, education, and the availability and cost of housing. Top issues for businesses included national and local economic concerns, taxes and fees, and competition from other businesses. As a whole, the responses collected from the Surveys are indicative of a highly satisfied community. The responses to Questions 5 and 6 - "What Residents/Businesses Want Most" - are the crux of the survey and will greatly influence the City's resources and efforts over the next five years.

Looking forward, the City of Lake Forest will utilize all the feedback provided through the Surveys and other public means to address the top priorities/concerns of community members. In addition, the City will continue to monitor the evolving demographic trends within the City to anticipate and to respond to the emerging needs and wants of the

*"I am pleased to note that over the past ten years, both residents and businesses are increasingly more satisfied with city services. While we take great pride in our accomplishments, our job is to continue to improve."*

*- Robert C. Dunek  
City Manager.*

#### *Top issues for residents:*

- *Traffic congestion*
- *Local economy and jobs*
- *Crime and public safety*
- *Education*
- *Availability and cost of housing*

community. The City's performance in providing municipal services has contributed to a high quality of life in the City, as well as a positive business climate, and the City of Lake Forest will continue to focus on delivering and maintaining the high quality of services that it currently provides. For more detailed information, please reference the Community Satisfaction Survey Report.

### GENERAL PERCEPTIONS OF CITY AND LOCAL ISSUES

The City's performance in providing municipal services has contributed to a high quality of life in the City, as well as a positive business climate. Nearly every resident surveyed (96%) rated the quality of life in the City as excellent or good, and most businesses (78%) rated Lake Forest's business climate favorably when compared to neighboring areas. To maintain a high quality of life and a favorable business climate, the City sought to identify those areas considered by community members as needing improvement or attention in the immediate future.

*Nearly every resident surveyed (96%) rated the quality of life in the City as excellent or good.*

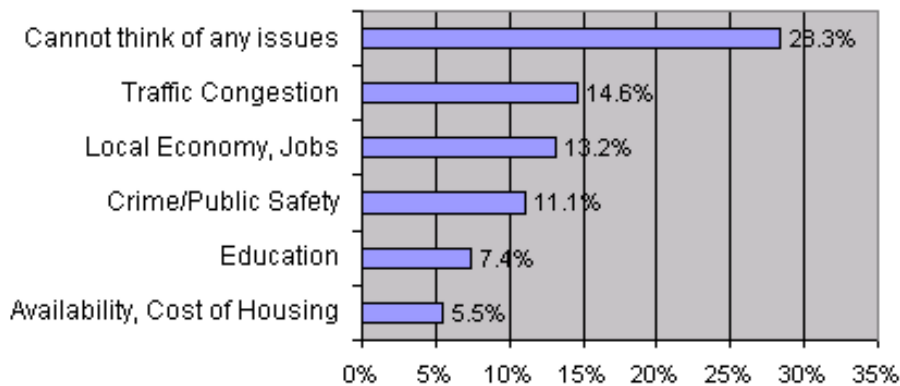
#### **Question 2**

**Resident Survey: What do you feel is the most important issue facing residents of Lake Forest?**

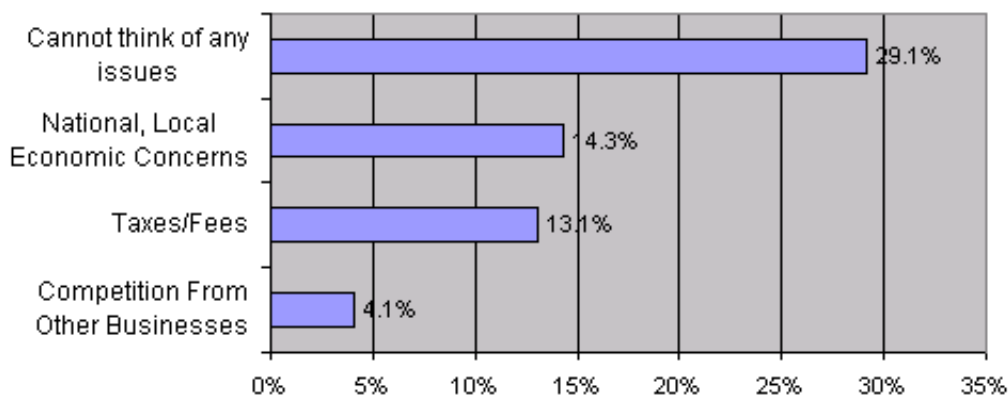
**Business Survey: What do you feel are the one or two most important issues facing the business community of Lake Forest?**

Question 2 was designed to allow residents and businesses the opportunity to indicate what they feel is the most important issue facing the community of the City of Lake Forest. To identify those issues that were most important to Survey respondents, the questions were asked in an open-ended manner. Figures 1 and 2 present the results for both the Resident community and the Business community.

**Figure 1**  
**General Perceptions of City and Local Issues:**  
**Resident Survey Question 2**



**Figure 2**  
**General Perceptions of City and Local Issues:**  
**Business Survey Question 2**



For both resident and business respondents, it is significant that the most frequent answer was “cannot think of any issues,” as this is indicative of a well-managed City that is meeting the needs of its residents and local businesses. For those residents who identified issues, the most commonly cited were traffic congestion (15%), local economy/jobs (13%), crime/public safety (11%), education (7%), and availability/cost of housing (6%). For those business owners and managers who identified issues, the most commonly cited were national/local economic concerns (14%), taxes/fees (13%), and competition from other businesses (4%).

## OVERALL SATISFACTION

*The responses collected during the 2010 Surveys continue a ten-year trend of increased overall satisfaction with the City of Lake Forest's performance in meeting the community's needs and expectations.*

The Lake Forest community is a highly satisfied community, with an overwhelming majority of residents and businesses stating that – overall – they were satisfied with the City's efforts to provide municipal services. It is important and informative to note that the responses collected during the 2010 Surveys continue a ten-year trend of increased overall satisfaction with the City of Lake Forest's performance in meeting the community's needs and expectations.

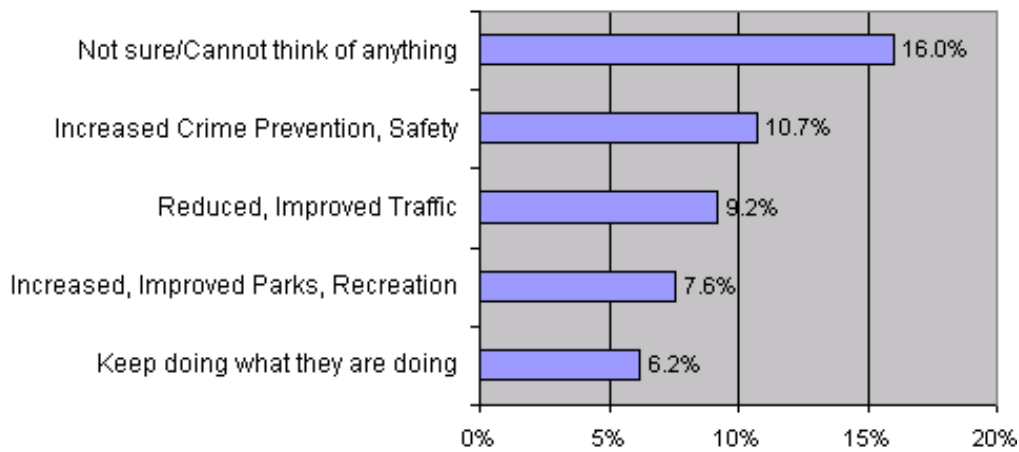
### **Question 5/Question 6**

**Resident/Business Survey: I'm going to read you a sentence, and I'd like you to finish it for me. Here is the sentence: What I want most from the City of Lake Forest over the next two years is: \_\_\_\_\_.**

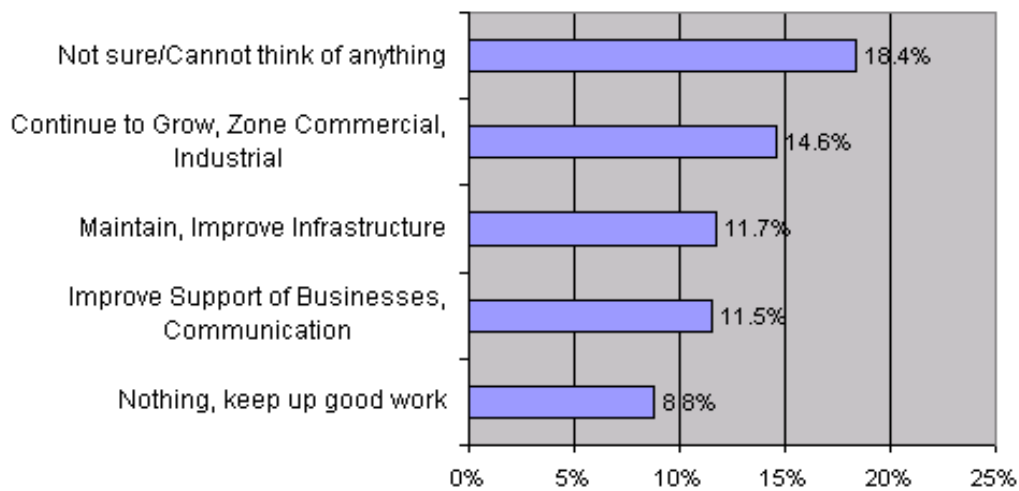
Questions 5 and 6 asked respondents in an open-ended manner to indicate what they most want the City to accomplish during the next two years. Most survey questions prompt respondents by providing options to choose from. This particular question was purposefully not prompted, to truly identify those issues that were "top of mind."

For both residents and businesses, the most common response to this question was "not sure" or "nothing." These responses are significant in that they indicate that the City of Lake Forest is meeting the needs of its residents and local businesses. Of those Resident respondents that identified tangible "wants," the most common requests were for increased crime prevention/safety (11%), reduced/improved traffic (9%), and increased/improved parks and recreation (8%). Of those Business respondents that identified tangible "wants," the most common requests were continue to grow/zone commercial/industrial (15%), maintain/improve infrastructure (12%), and improve support of businesses/communication (12%). The Economic Development division is utilizing this feedback to shape their budget goals to meet these needs in the upcoming years. Figures 5 and 6 present the results for both the Resident community and the Business community.

**Figure 5**  
**What Residents Want Most:**  
**Survey Question 5**



**Figure 6**  
**What Businesses Want Most:**  
**Survey Question 5**





## **SECTION II**

# **FINANCIAL RESOURCES AND PROJECTIONS**



## CHAPTER 4 REVENUE OUTLOOK

### SUMMARY

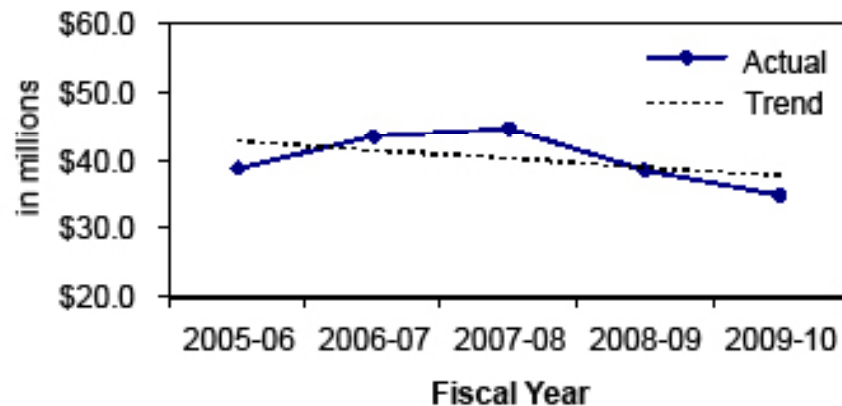
A critical element of the Strategic Plan (“Plan”) is the projection of revenues for the five-year period of the Plan. The model used by Lake Forest is based on the City’s prior history and future expectations. Over the past five years, overall revenues have decreased by an average of almost 2% per year from Fiscal Year 2005-06 through Fiscal Year 2009-10. However, revenues appear to be stabilizing and modest growth is projected over the next five years as a result of economic conditions as well as the construction of up to 4,800 new housing units and an estimated influx of up to 14,500 new residents.

### The Past – All Revenues

From Fiscal Year 2005-06 to Fiscal Year 2007-08, the City enjoyed significant increases in revenues, averaging an increase of almost 5% per year. Increases can be attributed to the following: (1) sales taxes due to the previously healthy local economy and the addition of new businesses; (2) property taxes due to the previously thriving local real estate market; (3) investment earnings from Federal Reserve Bank raises in interest rates and as the City’s investment portfolio grew in response to the notable increase in revenues; and (4) resumption of State payments of previously withheld motor vehicle in-lieu fees, now considered to be property taxes.

Starting in Fiscal Year 2008-09, the City’s revenues began to decrease as the housing decline, financial market crisis, and recession took full effect. For Fiscal Year 2009-10, the two most significant categories of revenues were local taxes and revenues from other governments. These revenues accounted for approximately 91% of total revenues, excluding one-time items.

## All Revenues (Excluding One-Time Items)



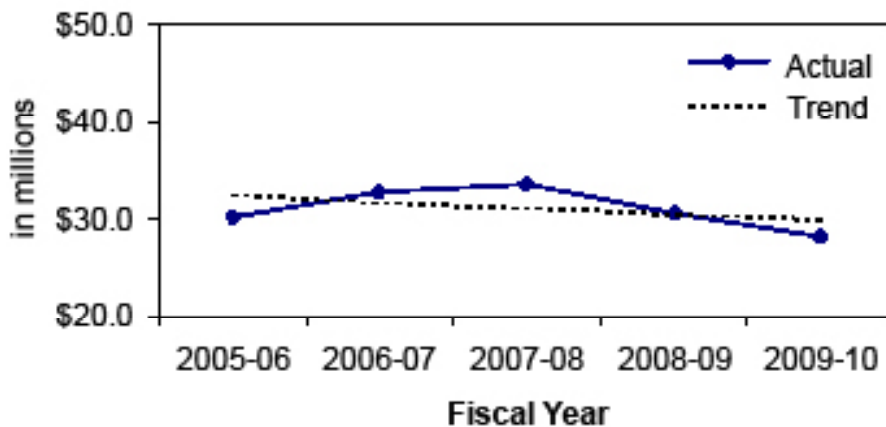
### The Past - Local Taxes

*Local taxes, at slightly above 80% of total revenues, are primarily a combination of property, sales, franchise fee, and transient occupancy taxes.*

Local taxes, at slightly above 80% of total revenues, are primarily a combination of property, sales, franchise fee, and transient occupancy taxes. All local taxes were affected to varying degrees by the housing market decline, financial market crisis, and recession.

- Property tax receipts increased an average of 3% per year from Fiscal Year 2005-06 to Fiscal Year 2009-10.
- Sales tax receipts decreased an average of 4.7% per year from Fiscal Year 2005-06 to Fiscal Year 2008-09.
- Transient occupancy tax receipts decreased an average of 2% per year from Fiscal Year 2005-06 to Fiscal Year 2008-09.
- Franchise fees increased an average of 2% per year from Fiscal Year 2005-06 through Fiscal Year 2009-10.

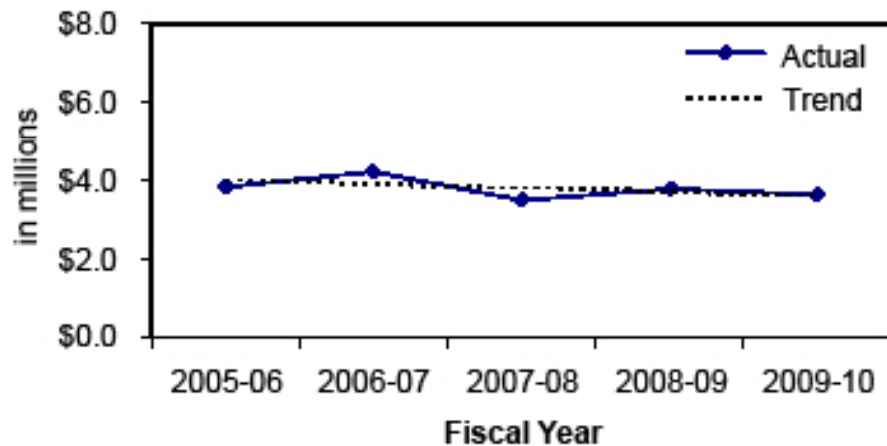
## Local Taxes

The Past - Revenues From Other Governments

Revenues from other governments, at 10% of total revenues, consist primarily of motor vehicle license fees (MVLFF), gas taxes, Measure M revenues, Proposition 42 revenues, and recurring grants. Overall, these revenues decreased an average of 1% per year from Fiscal Year 2005-06 to Fiscal Year 2009-10.

- MVLFF revenues decreased an average of 10% per year, primarily related to the effect of the recession on purchases of new vehicles.
- Gas taxes decreased an average of 2% per year as the recession and higher gas prices affected driving habits.
- Measure M revenues decreased an average of 3.5% per year resulting from the effects of the recession on consumer purchases. The original source of this revenue is an additional 1/2 cent sales tax in Orange County for transportation projects.
- Proposition 42 revenues increased by an average of almost 21% per year. This large increase was primarily due to previous suspensions by the State of this revenue source with repayments occurring in subsequent years.

## Revenues from Other Governments



### The Future

Looking forward, taxes seem to be holding steady and in some cases experiencing modest increases. Property taxes are expected to hold steady in Fiscal Year 2011-12 (0%), but are expected to begin increasing in Fiscal Years 2012-13 (1%), 2013-14 (2%), 2014-15 (2%), and 2015-16 (2%). Sales taxes are projected to increase by 3% each Fiscal Year for Fiscal Years 2011-12 through 2015-16.

As always, when planning for the future the City has chosen to utilize more conservative revenue projections. Consistent with this philosophy, the City has taken a conservative approach to projecting the increase in property taxes, sales taxes, and franchise fees associated with the construction of up to 4,800 new housing units over the Plan's five-year horizon. It is clear the fiscal impact on revenues will be positive, and projections will be refined as construction progresses.

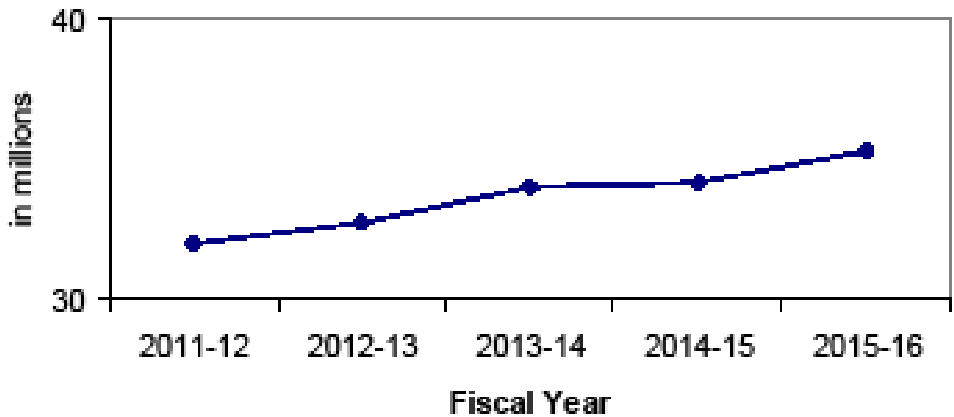
Investment earnings are projected to remain relatively flat over the next few years based on the economy and the uncertainty of available yields for the short term. All other revenue categories are expected to remain relatively stable, with some categories seeing slight increases, including those revenues that were previously negatively impacted by the housing market and the related downturn in the economy.

*Once the current economic downturn has ended, the City's well diversified revenue based is expected to increase modestly.*

Revenue categories seeing increases include transient occupancy taxes with an increase in Fiscal Year 2011-12 (4.7%) and Fiscal Years 2012-13 through 2015-16 (3%), and motor vehicle in-lieu fees with an increase in Fiscal Years 2012-13 through 2015-16.

These revenue projections are based on the current economy and available projections. In addition, the City will carefully monitor State actions in relation to local revenue sources. Once the current economic downturn has ended, the City's well diversified revenue base is expected to increase modestly.

## Operating Revenues





## CHAPTER 5 OPERATING EXPENDITURE OUTLOOK

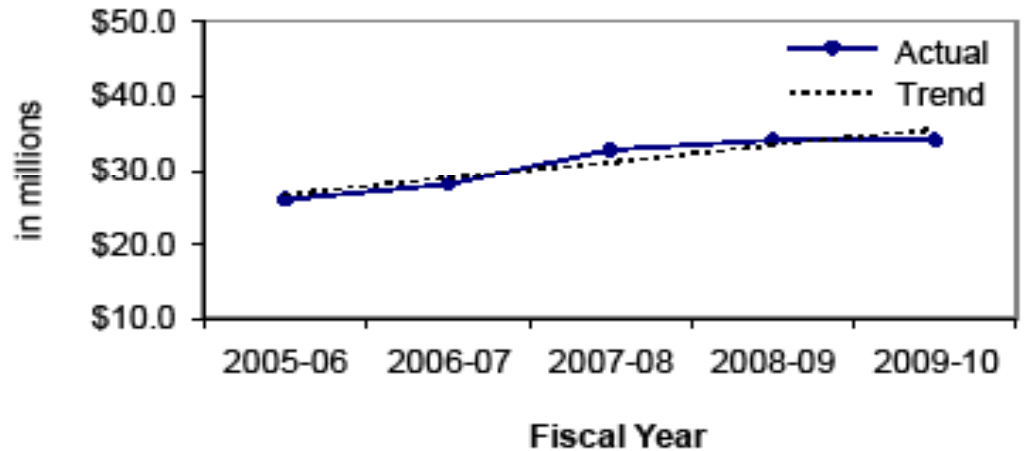
### SUMMARY

Operating expenditures (total expenditures excluding capital projects and one-time items) have increased over time as the City has matured, expanded services, added facilities, and taken ownership of six parks previously operated by homeowners associations. Overall operating expenditures have increased by an average of 1.6% per year from Fiscal Year 2005-06 through Fiscal Year 2009-10, primarily due to increases in Police Services and Public Works. Looking forward, the Plan assumes a base of current levels of service with moderate increases of 1.4% in Fiscal Years 2011-12, and an average of 3.9% across Fiscal Years 2012-13 through 2015-16.

### The Past – All Operating Expenditures

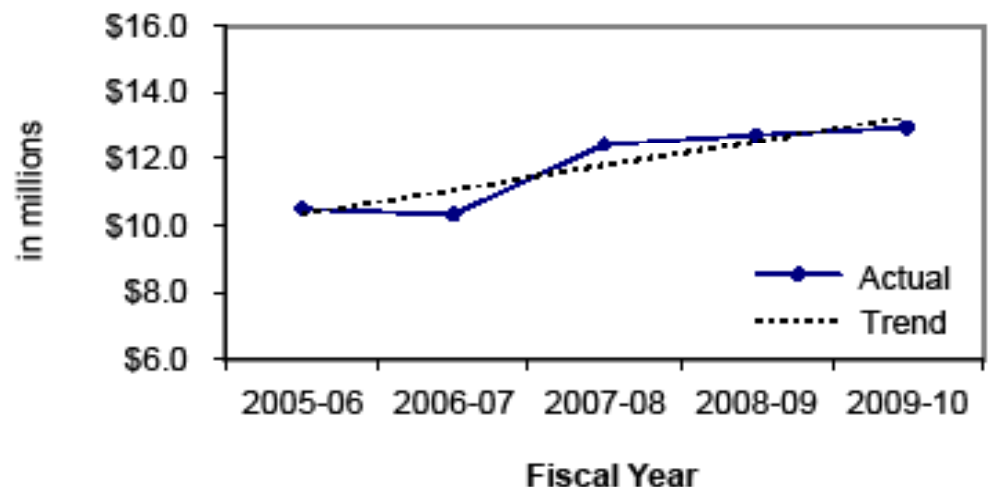
Operating expenditures have grown over time on a measured basis to provide ample opportunity to identify those services that would benefit the community and that could be provided within the budget limitations of the City. Overall operating expenditures increased by an average of 1.6% per year from Fiscal Year 2005-06 through Fiscal Year 2009-10. These increases were primarily due to higher expenditures in the two most significant departments (Police Services and Public Works) and moderate variations in other departments. For purposes of comparison, the inflation rate during this same time period based upon the Consumer Price Index was 11.65%.

## All Operating Expenditures

The Past - Police Services

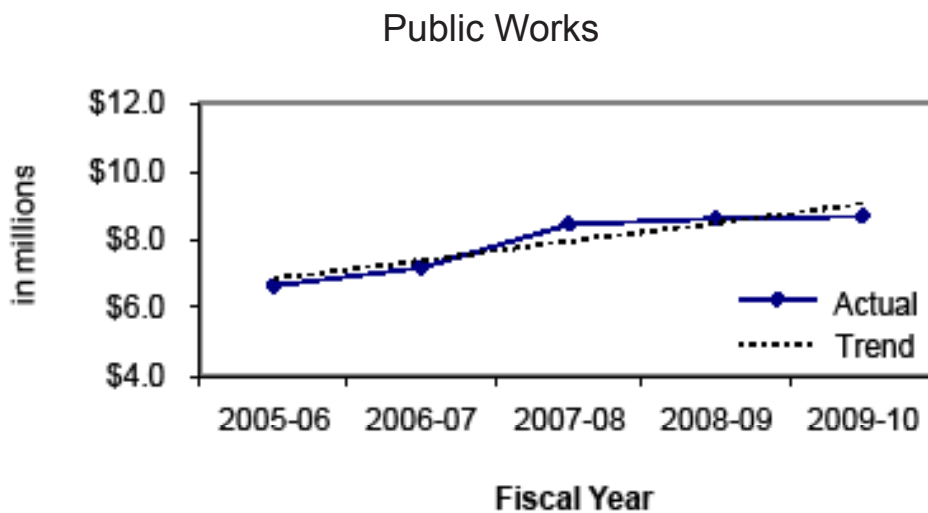
The Police Services Department accounts for almost 38% of operating costs. Expenditures have shown a steady increase over the last five years, with an overall trend of 4.5% per year. Costs remained relatively stable until Fiscal Year 2007-08, when costs increased due to renegotiation of the county's law enforcement contract, the addition of a contract Community Services Officer to support a new traffic enforcement program, and the addition of a Public Safety Manager. Since Fiscal Year 2007-08, increases have been modest due to cost containment and management of vacancies.

## Police Services



## The Past - Public Works

The Public Works Department accounts for 25% of operating costs and expenditures have increased steadily over the last five years, with an overall trend of 5.6% per year. Costs increased notably in Fiscal Year 2007-08 primarily due to the addition of six new parks obtained via irrevocable offers of dedication.



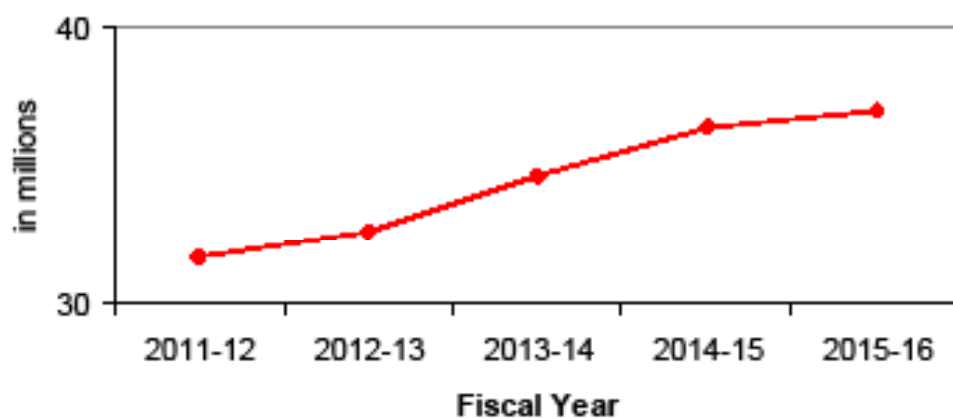
## The Future

Unlike revenues, the City has a greater degree of control over changes in the level of expenditures. In prior years, the City was focused on the growth of services to a desired level. As such, historical trends are not as useful in projecting future trends, as growth is highly dependent on the implementation of specific service enhancements or new services, along with any one-time expenditures.

Looking ahead, the Plan assumes maintaining current levels of service, while incorporating maintenance costs associated with new capital improvement projects. Projected costs estimate moderate increases of 1.4% in Fiscal Years 2011-12, and an average of 3.9% across Fiscal Years 2012-13 through 2015-16. These projections may be modified by the integration of new programs and projects during the five-year horizon, including providing services and maintenance associated with the construction of up to 4,800 new housing units over the Plan's five-year horizon. Expenditure

projections will be refined as construction progresses.

### Operating Expenditures



## CHAPTER 6 MAJOR CARRYOVER APPROPRIATIONS

The City uses carryover appropriations to provide more accurate tracking of individual capital improvement project budgets and multi-year operating programs. Carryover appropriations bring unspent balances forward into the new fiscal year, thus retaining the integrity of the originally budgeted amounts for items spanning more than one year, much like a checkbook balance. None of these carryover projects and programs is included in the 5-Year Strategic Business Plan except for Parks and Recreation Master Plan projects, since funds were committed in previous fiscal years. Attached is a listing of existing carryover appropriations greater than \$100,000 from Fiscal Year 2009-10 along with a listing of anticipated carryover capital projects from Fiscal Year 2010-11.

**CARRYOVER APPROPRIATIONS OVER \$100,000  
FISCAL YEAR 2009-10 INTO FISCAL YEAR 2010-11**

Description	Fund	Carryover Appropriation
Sports Park	Opportunities Study Capital Improvement Projects	\$16,722,243
Park Improvements	Capital Improvement Projects	4,436,700
Intersection Improvements	Lake Forest Transportation Mitigation	2,164,549
Trabuco Road Streetscape	Capital Improvement Projects	2,072,259
Street Repaving and Slurry Seal	Measure M Fund	1,624,811
El Toro Streetscape Phase I	Capital Improvement Projects	1,286,615
Rockfield Streetscape	Capital Improvement Projects	1,017,057
Recreation Center	Opportunities Study Capital Improvement Projects	863,523
Traffic Signal Synchronization	Capital Improvement Projects	784,652
Street Repaving and Slurry Seal	General Fund	628,125
Alton Parkway Improvements	Capital Improvement Projects	515,528
El Toro Park Improvements	Community Development Block Grant	467,484
Heroes Park Snack Bar and Restroom	Capital Improvement Projects	466,449
Commercentre Drive Improvements	Capital Improvement Projects	385,000
Play Equipment Replacement	Capital Improvement Projects	379,707
Street Repaving and Slurry Seal	Gas Tax Fund - Proposition 1B Grant	347,131
Rancho Parkway Improvements	Capital Improvement Projects	225,772
Civic Center	Opportunities Study Capital Improvement Projects	224,718
Jeronimo Streetscape	Capital Improvement Projects	116,266
New Street Lights - Various Locations	Capital Improvement Projects	100,000
Total Carryover Appropriations over \$100,000		\$34,828,589
Total Carryover Appropriations		\$36,026,108

## ANTICIPATED CARRYOVER CAPITAL PROJECTS BUDGETED IN FISCAL YEAR 2010-11

Description	Fund
Civic Center	Opportunities Study Capital Improvement Projects
Commercentre Drive Improvements	Capital Improvement Projects
Community/Meeting Center	Opportunities Study Capital Improvement Projects
Concourse Park	Capital Improvement Projects
El Toro Road Lighting and Landscaping	Capital Improvement Projects
El Toro Streetscape - Phase 1	Capital Improvement Projects
Intersection Improvements	Lake Forest Transportation Mitigation
Jeronimo Streetscape	Capital Improvement Projects
Park Improvements	Capital Improvement Projects
Play Equipment Replacement	Capital Improvement Projects
Rancho Parkway Improvements	Capital Improvement Projects
Recreation Center	Opportunities Study Capital Improvement Projects
Rimgate Park Renovation	Capital Improvement Projects
Rockfield Streetscape	Capital Improvement Projects
Shade Structure Program	Capital Improvement Projects
Skatepark Expansion	Capital Improvement Projects
Sports Park	Opportunities Study Capital Improvement Projects
Street Lights - Various Locations	Capital Improvement Projects
Street Repaving and Slurry Seal	Measure M
Tamarisk Park Renovation	Capital Improvement Projects
Trabuco Road Streetscape	Capital Improvement Projects
Traffic Signal Synchronization	Capital Improvement Projects
Watershed Management Projects	Capital Improvement Projects



## CHAPTER 7 DEFERRED PROGRAMS AND PROJECTS

When developing a strategic plan during times of economic uncertainty, it is crucial to scrutinize all programs and projects. The City must remain flexible when reviewing existing and future needs and must prioritize programs and projects to provide the best service possible to the community within existing budgetary constraints. To that end, the following is a list of projects that have been deferred until funds become available (there are no operating programs identified as “deferred” in this Plan). These projects amount to approximately \$41.3 million.

## Projects

Name	Description	Total	Funding Source
Americans with Disabilities Act Access Ramp Improvements	Reconstruct existing sidewalk ramps at intersections over the next five years to comply with current standards and requirements of the Americans with Disabilities Act (ADA) and further implement the City's ADA self-assessment and transition plan.	\$2,017,000	CIP Fund 100%
Citywide Traffic Signal Detection Planning Report	This project will prepare a report regarding bicycle detection to ensure efficient bicycle traffic mobility. This report may produce future projects for providing detection at existing traffic signals. In addition, new traffic signals installed through the Lake Forest Traffic Mitigation program, conditions of development, or other projects will include bicycle detection.	\$10,000	CIP Fund 100%
Commercentre Signal Interconnection	Construct ultimate traffic signal coordination improvements along Commercentre Drive from Alton Parkway to Dimension Drive. This work may be accomplished via different funding options such as a Capital Improvement Project or through conditions of development.	\$65,000	CIP Fund 100%
El Toro Road Streetscape Project - Phase 2	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along El Toro Road between Jeronimo and Trabuco.	\$2,038,000	CIP Fund 100%
El Toro Road Streetscape Project - Phase 3	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along El Toro Road between Trabuco Road and Portola Parkway.	\$6,173,000	CIP Fund 100%

## Projects

Name	Description	Total	Funding Source
General Neighborhood Traffic Improvements	Investigate, analyze, design, and construct/ implement various traffic safety improvements, traffic signing, or traffic routing solutions. The majority of the aforementioned work is part of an ongoing process within the City Engineering Department. This categorization is for those projects that are extraordinary or beyond the scope of normal activities.	\$464,000	CIP Fund 100%
Jeronimo Road Streetscape Project - Phase 2	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Jeronimo Road between Lake Forest Drive and Jeronimo Road.	\$2,700,000	CIP Fund 100%
Jeronimo Road Streetscape Project - Phase 3	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Jeronimo Road between Bake Parkway and Lake Forest Drive.	\$900,000	CIP Fund 100%
Muirlands Boulevard Streetscape Project	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Muirlands between Los Alisos and Bake Parkway.	\$5,310,000	CIP Fund 100%
Normandale Park Development	Construct improvements to Normandale Park with amenities to be determined.	\$12,150,000	CIP Fund 100%

## Projects

Name	Description	Total	Funding Source
Portola Parkway Streetscape Project	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Portola Parkway, between the Toll Road and El Toro Road.	\$265,000	CIP Fund 100%
Portola Parkway Gap Closure	This project lies within unincorporated Orange County and within the City of Irvine's Planning Area 6. The Orange County Master Plan of Arterial Highways identifies Portola Parkway as a primary arterial highway between State Route 241 and its existing terminus in the City of Lake Forest, a gap of approximately 1.1 miles. Neither the County of Orange nor the City of Irvine have established project development teams, schedules, or funding for this project. Project costs were estimated at over \$81 million in October 2005; with project development, environmental clearances, and design engineering estimated to cost \$14,820,000. The project requires right-of-way across Parcel R of Irvine Open Space Preserve – North, which is subject to the First Amendment to Management Agreement between the City of Irvine and the Irvine Ranch Land Trust Reserve, dated February 1, 2007. Lake Forest staff has initiated discussions and will continue to collaborate with the City of Irvine, County of Orange, Orange County Transportation Authority, and other stakeholders to establish Portola Parkway as a regional priority.		
Ridge Route Drive Streetscape Project	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Ridge Route Drive.	\$946,000	CIP Fund 100%
Rockfield Boulevard Streetscape Project - Phase 2 Construction	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Rockfield Boulevard between El Toro Road and Ridge Route Drive.	\$1,330,000	CIP Fund 100%

## Projects

Name	Description	Total	Funding Source
Rockfield Boulevard Streetscape Project - Phase 3	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Rockfield Boulevard between Ridge Route Drive to Centre Drive.	\$1,300,000	CIP Fund 100%
Toledo Road Streetscape Project	Investigate and implement traffic safety and traffic congestion relief opportunities, and construct raised landscaped median islands and parkway landscaping along Toledo Way between Bake Parkway and El Toro Road.	\$4,186,000	CIP Fund 100%
Trabuco Road Streetscape Project - Phase 2	Investigate and implement traffic safety and traffic congestion relief opportunities, and renovate the raised landscaped median islands and parkway landscaping along Trabuco Road from Lake Forest Boulevard to the Mission Viejo city limits.	\$1,481,000	CIP Fund 100%
	GRAND TOTAL	\$41,335,000	



# **SECTION III**

## **PROJECTS AND PROGRAMS**



## CHAPTER 8 PROPOSED OPERATING PROGRAMS

Operating programs provide the resources necessary to maintain City operations and deliver municipal services. Operating programs may include professional services, personnel, and software. Each of the following programs has been detailed on a separate sheet within this chapter. Each sheet contains the department, the program description, a cost detail, and the funding source(s). Following is a list of the proposed programs along with the corresponding page numbers for additional detail:

<u>DEPARTMENT/PROGRAM</u>	<u>PAGE</u>
Development Services:	
Comprehensive General Plan Update	64
Finance:	
Accounting System	65
Management Services:	
Network Security Audit	66
Web Portal Access to Document Imaging System	67
Paperless Agenda	68
Public Works:	
Water Quality Inspector	69

PROGRAM TITLE: Comprehensive General Plan Update

DEPARTMENT: Development Services

PROGRAM DESCRIPTION:

This program consists of a comprehensive update of the General Plan, excluding the Housing Element, to reflect the programs and policies to maintain the character and beauty of Lake Forest. The current General Plan was adopted in 1994. Revisiting the General Plan in 2014 is necessary to allow the City to look forward and re-evaluate its policies based on updated conditions.

COST DETAIL:

<u>FISCAL YEAR</u>	<u>COST</u>
2011-12	\$0
2012-13	\$0
2013-14	\$0
2014-15	\$500,000
<u>2015-16</u>	<u>\$0</u>
TOTALS	\$500,000

SOURCE OF FUNDING:

General Fund – 100%

PROGRAM TITLE: Accounting System

DEPARTMENT: Finance

## PROGRAM DESCRIPTION:

As the City has grown over the years, the City has maintained its commitment to providing quality services, maintaining the City's infrastructure, and delivering desired programming. The complexity and volume of accounting requirements associated with this level of service delivery currently exceed the existing system's capabilities. The existing accounting system has been in place since incorporation in 1991, and is lacking in functionality.

Acquisition of a new accounting system that utilizes current technology will promote greater efficiencies within the City through the automation of manual processes and integration of redundant data. Staff will have the ability to query financial data more effectively and to provide more detailed reporting for auditing and financial analyses. In addition, the acquisition of a capital projects module will allow for ease and accuracy in long-term project tracking. Planning for this program is proposed to begin in Fiscal Year 2012-13 with expenditures beginning in Fiscal Year 2013-14.

## COST DETAIL:

<u>FISCAL YEAR</u>	<u>COST</u>
2011-12	\$0
2012-13	\$0
2013-14	\$350,000
2014-15	\$60,000
<u>2015-16</u>	<u>\$60,000</u>
TOTALS	\$530,000

## SOURCE OF FUNDING:

General Fund - 100%

PROGRAM TITLE: Network Security Audit

DEPARTMENT: Management Services

PROGRAM DESCRIPTION:

To ensure the privacy and protection of the City's technology, it is prudent to conduct a penetration test into the City's network by a third party consultant. Best practices indicate this penetration test should be performed every three years. The assessment will determine the current network security status of the City-operated information systems and networks. This assessment will include both a traditional external penetration test as well as a full-scale internal and wireless network vulnerability assessment and penetration test.

COST DETAIL:

<u>FISCAL YEAR</u>	<u>COST</u>
2011-12	\$0
2012-13	\$0
2013-14	\$34,000
2014-15	\$0
<u>2015-16</u>	<u>\$37,400</u>
TOTALS	\$71,400

SOURCE OF FUNDING:

General Fund - 100%

PROGRAM TITLE: Web Portal Access to Document Imaging System

DEPARTMENT: Management Services

## PROGRAM DESCRIPTION:

The City Clerk's division is responsible for providing records in accordance with the California Public Records Act. Based upon current and historical records requests, over half of the records requests could be made accessible via a website portal into the City's document imaging system. The benefits of this program include improved citizen access to government services and increased internal efficiencies.

The types of records that would be available online include, but are not limited to: resolutions, ordinances, minutes, agenda reports, agreements, recorded documents, tract and parcel maps, building permits, reports and studies, and development plans. Building plans, Finance Department records, personnel records, and other confidential records would not be available via the online portal due to statutory and privacy issues.

## COST DETAIL:

<u>FISCAL YEAR</u>	<u>COST</u>
2011-12	\$11,800
2012-13	\$900
2013-14	\$900
2014-15	\$900
<u>2015-16</u>	<u>\$900</u>
TOTALS	\$15,400

## SOURCE OF FUNDING:

General Fund - 100%

PROGRAM TITLE: Paperless Agenda

DEPARTMENT: Management Services

PROGRAM DESCRIPTION:

This program will utilize technology to simplify the distribution portion of the agenda management process. All City Council Members and Department Directors will be provided with iPads to access agendas online. The benefits to this program include easy access and cost savings. Council Members and Department Directors will be able to view agendas and supporting documentation anywhere, anytime, online. The City will save time and money on costs associated with agenda printing and preparation.

COST DETAIL:

<u>FISCAL YEAR</u>	<u>COST</u>
2011-12	\$0
2012-13	\$5,000
2013-14	\$5,000
2014-15	\$0
<u>2015-16</u>	<u>\$0</u>
TOTALS	\$10,000

SOURCE OF FUNDING:

General Fund - 100%

PROGRAM TITLE: Water Quality Inspector

DEPARTMENT: Public Works

## PROGRAM DESCRIPTION:

The Water Quality Inspector will assist the Public Works Department in meeting increasing regulatory requirements associated with the National Pollutant Discharge Elimination System (NPDES), Municipal Separate Storm Sewer System (MS4) Permit, the General Industrial Permit, the Construction General Permit, and other issues related to industrial and commercial compliance. The position will be in-house and full-time. To date, consultant services have been used to accomplish the requirements of the permit. Originally, the annual costs associated with water quality inspector duties were \$82,000 for a 0.5 full-time equivalent. The present costs for full-time consultant services are \$16,000 per month (\$192,000 annually). Duties associated with the position will include commercial, industrial, residential, construction, and water body inspections; water quality outreach and education; code enforcement; emergency response; source tracking; storm drain system audits; report writing/documentation; compliant or incident response and resolution; sample collection; limited data collection and/or evaluation; and training. One-time costs associated with this position in Fiscal Year 2012-13 include a City vehicle, laptop, and office space with a chair. The annual cost includes \$700 for a wireless reception device. A dedicated City vehicle is required for this position, as the employee will spend the bulk of their day traveling to multiple sites within the City to conduct field inspections.

## COST DETAIL:

<u>FISCAL YEAR</u>	<u>COST</u>
2011-12	\$0
2012-13	\$125,500
2013-14	\$97,900
2014-15	\$104,800
<u>2015-16</u>	<u>\$112,100</u>
TOTALS	\$440,300

## SOURCE OF FUNDING:

General Fund - 100%

## CHAPTER 9 PROPOSED CAPITAL IMPROVEMENT PROJECTS

Each project has been detailed on separate sheets within this chapter. The sheet contains a project description, components of the project cost, the funding source(s), additional operating costs, and a project schedule. Following is a list of the proposed projects along with the corresponding page numbers for additional details:

<u>PROJECTS</u>	<u>PAGE</u>
Streets:	
Lake Forest Transportation Mitigation Improvements	72
Bake Parkway Intersections Improvement	74
Bake Parkway Median Improvements	75
Teed Street Storm Drain Improvements	76
Traffic Signal Synchronization Project	77
Traffic Signals Conductor Replacement Program	79
Americans with Disabilities Act Access Ramp Improvements	81
Sidewalk Repairs	82
Street Resurfacing and Slurry Seal	83
Parks and Recreation:	
Sports Park	84
Recreation Center	85
Regency Park Improvements Project	86
Other:	
Orange County Animal Care Center	87

PROJECT TITLE: Lake Forest Transportation Mitigation (LFTM) Improvements

CATEGORY: Streets

#### PROJECT DESCRIPTION:

Provide traffic impact mitigation improvements for the Opportunity Study Area (OSA) program level environmental impact report using LFTM development impact fees. The improvements are phased into three cycles of design and construction to balance anticipated revenues, workflows, and circulation needs. The phased approach will implement the most critical intersection improvements first in order to reduce traffic congestions and provide the greatest public benefit.

The three phases of improvement are based upon the LFTM intersection improvements identified in the adopted LFTM Ordinance and are subject to reprioritization. The three phases of LFTM intersection improvements are:

Phase 1	Phase 2	Phase 3
Bake/Trabuco/Irvine Blvd.	Bake/Jeronimo	Lake Forest/1-5 Off-Ramp
Lake Forest/Rancho Pkwy	Paseo Valencia/Carlota	Alton/Toledo
El Toro/Portola	El Toro/Carlota	Lake Forest/Rockfield
Bake/Portola	Los Alisos/Muirlands	Los Alisos/Rockfield
	Ridge Route/Rockfield	Lake Forest/Jeronimo
	Alton Pkwy/Irvine Blvd.	Bake/Rockfield

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other and A&E	TOTAL
2011-12				
2012-13	\$ 984,900		\$1,863,700	\$ 2,848,600
2013-14	\$ 884,400	\$1,487,500	\$1,305,300	\$ 3,677,200
2014-15	\$1,038,800	\$1,901,600	\$1,764,600	\$ 4,705,000
2015-16		\$1,712,000		\$ 1,712,000
TOTAL	\$2,908,100	\$5,101,100	\$4,933,600	\$12,942,800

PROJECT TITLE: Lake Forest Transportation Mitigation  
(LFTM) Improvements (continued)

SOURCE OF FUNDING	
SOURCE	ALLOCATION
LFTM Program	81%
Measure M	0%
NITM*	0%
FCPP**	19%

\* North Irvine Transportation Mitigation (NITM)

\*\* Foothill Circulation Phasing Plan (FCPP)

**OPERATING BUDGET IMPACT**

ANNUAL OPERATING COSTS: \$20,000 PER PHASE

FISCAL YEAR COSTS BEGIN: 2013-14

**PHASE 1 PROJECT SCHEDULE**

	FISCAL YEAR 2012-13				FISCAL YEAR 2013-14			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X	X	X					
CONSULTANT								
DESIGN			X	X	X			
BID PROCESS					X	X		
CONSTRUCTION*					X	X	X	X
OTHER (R/W)			X	X	X			

**PHASE 2 PROJECT SCHEDULE**

	FISCAL YEAR 2013-14				FISCAL YEAR 2014-15			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X	X	X					
CONSULTANT								
DESIGN			X	X	X			
BID PROCESS					X	X		
CONSTRUCTION*					X	X	X	X
OTHER (R/W)				X	X			

**PHASE 3 PROJECT SCHEDULE**

	FISCAL YEAR 2014-15				FISCAL YEAR 2015-16			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X	X	X					
CONSULTANT								
DESIGN			X	X	X			
BID PROCESS					X	X		
CONSTRUCTION*					X	X	X	X
OTHER (R/W)				X	X			

\*Construction phases continue through project completion

PROJECT TITLE: Bake Parkway Intersections Improvement

CATEGORY: Streets

PROJECT DESCRIPTION:

Traffic signal electronic component upgrades at Bake/Entrada and Bake/Trabuco are programmed in FY 2013-14. Bake/Jeronimo and Bake/Toledo are programmed in FY 2014-15. These intersection improvements will require coordination with the City of Irvine to serve as the lead. The City of Irvine has estimated construction to begin in FY 2013-14. The City's fair share costs will include cabinets, controllers, battery back-up system, and interconnection.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12				
2012-13				
2013-14		\$232,000		\$232,000
2014-15		\$173,000		\$173,000
2015-16				
TOTAL		\$405,000		\$405,000

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	100%

**OPERATING BUDGET IMPACT**

ANNUAL OPERATING COSTS: \$5,000

FISCAL YEAR COSTS BEGIN: 2014-15

**PROJECT SCHEDULE**

	FISCAL YEAR 2013-14				FISCAL YEAR 2014-15			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT								
CONSULTANT								
DESIGN								
BID PROCESS								
CONSTRUCTION	X	X	X	X	X	X	X	X

PROJECT TITLE: Bake Parkway Median Improvements

CATEGORY: Streets

**PROJECT DESCRIPTION:**

This project will construct a raised median on Bake Parkway between Portola Parkway and Burbank to prevent vehicles from making illegal left-turns into and out of the shopping center.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12	\$25,000			\$25,000
2012-13		\$225,000		\$225,000
2013-14				
2014-15				
2015-16				
TOTAL	\$25,000	\$225,000		\$250,000

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	100%

**OPERATING BUDGET IMPACT**

ANNUAL OPERATING COSTS: \$5,000

FISCAL YEAR COSTS BEGIN: 2013-14

**PROJECT SCHEDULE**

	FISCAL YEAR 2011-12				FISCAL YEAR 2012-13			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X	X						
CONSULTANT								
DESIGN		X	X	X				
BID PROCESS				X	X			
CONSTRUCTION					X	X	X	X

PROJECT TITLE: Teed Street Storm Drain Improvements

CATEGORY: Streets

PROJECT DESCRIPTION:

The area of Teed Street at Vesper Road has experienced poor drainage. This project is to improve drainage on Teed Street through additional drainage inlets and piping. The design process will provide the specific details of the solution.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12	\$40,000			\$ 40,000
2012-13		\$200,000		\$200,000
2013-14				
2014-15				
2015-16				
TOTAL	\$40,000	\$200,000		\$240,000

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	100%

**OPERATING BUDGET IMPACT**

ANNUAL OPERATING COSTS: \$5,000

FISCAL YEAR COSTS BEGIN: 2013-14

**PROJECT SCHEDULE**

	FISCAL YEAR 2011-12				FISCAL YEAR 2012-13			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X	X						
CONSULTANT								
DESIGN		X	X					
BID PROCESS				X				
CONSTRUCTION					X	X	X	X

PROJECT TITLE: Traffic Signal Synchronization

CATEGORY: Streets

### PROJECT DESCRIPTION:

Traffic continues to be one of the top priority concerns of the citizens of Lake Forest.

Over the past two years, the City has been able to fund two City projects and participate in an OCTA project that will upgrade or replace all the traffic signal controllers in the City and implement new traffic signal timing plans in an effort to move traffic through the City more efficiently and safely. Phase 3 of this project will install interconnect conduit and cable where necessary and applicable to be able to take full advantage of the traffic signal synchronization abilities of the controller and software throughout the City.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12				
2012-13*	\$500,000	\$2,000,000		\$2,500,000
2013-14				
2014-15				
2015-16				
TOTAL	\$500,000	\$2,000,000		\$2,500,000

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	20%
Measure M2 Competitive Grants	80%

\*subject to grant availability

### OPERATING BUDGET IMPACT

ANNUAL OPERATING COSTS: \$150,000 (Phase 2)

FISCAL YEAR COSTS BEGIN: 2012-13

ANNUAL OPERATING COSTS: N/A (Phase 3)

FISCAL YEAR COSTS BEGINS: N/A

PROJECT TITLE: Traffic Signal Synchronization  
(continued)

**PROJECT SCHEDULE**

	FISCAL YEAR 2012-13				FISCAL YEAR 2013-14			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X							
CONSULTANT								
DESIGN	X	X						
BID PROCESS			X					
CONSTRUCTION			X	X				

PROJECT TITLE: Traffic Signals Conductor Replacement Program

CATEGORY: Streets

### PROJECT DESCRIPTION:

This project is to replace the traffic signal conductor wires at 30 intersections citywide due to wire coating degradation. The improvements are scheduled in five phases. These replacement projects are necessary to address the age of the conductor wires (currently they are anywhere from 15 – 25 years old), limitations of the existing older technology, and risk management to prevent full intersection signal failure and the associated repair costs. Any failure will result in significant periods of less than optimal traffic signal control and management. The five phases of intersection improvements are prioritized below:

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Lake Forest/ Dimension	Lake Forest/ Muirlands	Lake Forest/ Portola	Ridge Route/ Jeronimo	Rockfield/ Landisview
Lake Forest/ Regency	Lake Forest/ Jeronimo	Jeronimo/ Cherry	Ridge Route/ Toledo	Trabuco/ Cherry
Lake Forest/ Vista Terrace	Lake Forest/ Toledo	El Toro/ Jeronimo	Ridge Route/ Serrano	Trabuco/ Peachwood
Lake Forest/ Rockfield	Lake Forest/ Trabuco	Aspen/ Muirlands	Ridge Route/ Trabuco	Trabuco/Paseo Tranquilo
Lake Forest/ Aspen	Lake Forest/ Pittsford	El Toro/ Trabuco	Ridge Route/ Rockfield	Los Alisos/ Rockfield/ Fordview
Lake Forest/ Towne Centre	Lake Forest/ Canada/ Newvale	El Toro/ Portola/Santa Margarita	Ridge Route/ Muirlands	Bake/ Portola

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12	\$10,000	\$110,000		\$120,000
2012-13	\$10,000	\$113,600		\$123,600
2013-14	\$10,000	\$117,300		\$127,300
2014-15	\$10,000	\$121,100		\$131,100
2015-16	\$10,000	\$125,100		\$135,100
TOTAL	\$50,000	\$587,100		\$637,100

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	100%

---

**OPERATING BUDGET IMPACT**


---

ANNUAL OPERATING COSTS: N/A

FISCAL YEAR COSTS BEGIN: N/A

---

**PROJECT SCHEDULE**


---

	ANNUAL			
	Jul- Sep	Oct- Dec	Jan- Mar	Apr- Jun
SELECT				
CONSULTANT				
DESIGN	X			
BID PROCESS		X		
CONSTRUCTION*			X	X

PROJECT TITLE: Americans with Disabilities Act  
Access Ramp Improvements

CATEGORY: Streets

### PROJECT DESCRIPTION:

This project would reconstruct existing sidewalk ramps at street intersections to comply with current standards and requirements of the Americans with Disabilities Act.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12	\$30,000	\$121,300		\$151,300
2012-13*	\$30,000	\$125,000		\$155,000
2013-14*	\$30,000	\$125,000		\$155,000
2014-15*	\$30,000	\$125,000		\$155,000
2015-16*	\$30,000	\$125,000		\$155,000
TOTAL	\$150,000	\$621,300		\$771,300

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Community Development Block Grant	100%

\* subject to grant availability

### OPERATING BUDGET IMPACT

ANNUAL OPERATING COSTS: N/A

FISCAL YEAR COSTS BEGIN: N/A

### PROJECT SCHEDULE

	ANNUAL			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X			
CONSULTANT				
DESIGN		X	X	
BID PROCESS			X	
CONSTRUCTION				X

PROJECT TITLE: Sidewalk Repairs

CATEGORY: Streets

PROJECT DESCRIPTION:

This annual program focuses on repairing damaged existing sidewalks at street and park locations throughout the City.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12		\$40,000		\$40,000
2012-13		\$41,200		\$41,200
2013-14		\$42,400		\$42,400
2014-15		\$43,700		\$43,700
2015-16		\$45,000		\$45,000
TOTAL		\$212,300		\$212,300

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	100%

**OPERATING BUDGET IMPACT**

ANNUAL OPERATING COSTS: N/A

FISCAL YEAR COSTS BEGIN: N/A

**PROJECT SCHEDULE**

	ANNUAL			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X			
CONSULTANT				
DESIGN		X		
BID PROCESS			X	
CONSTRUCTION*				X

PROJECT TITLE: Street Resurfacing and Slurry Seal

CATEGORY: Streets

## PROJECT DESCRIPTION:

Provide asphalt overlays and slurry seals as determined during the design phase for street pavement in accordance with a Pavement Management System that is designed to avoid expensive deferred maintenance. Conformance with the Pavement System makes the City eligible for Orange County Transit Authority Measure M funding by demonstrating a reasonable level of maintenance for City streets. The Street Resurfacing and Slurry Seal schedule is based upon a project cycle of design occurring in the first year and construction in the following year. Because the cycle is continuous, both design and construction occur in each fiscal year but these are for separate projects.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12	\$ 63,000	\$ 857,000		\$ 920,000
2012-13	\$ 77,000	\$1,053,000		\$1,130,000
2013-14	\$ 80,000	\$1,090,000		\$1,170,000
2014-15	\$ 82,400	\$1,122,000		\$1,204,400
2015-16	\$ 84,800	\$1,156,400		\$1,241,200
TOTAL	\$387,200	\$5,278,400		\$5,665,600

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Measure M2 Turnback Fund	100%

## OPERATING BUDGET IMPACT

ANNUAL OPERATING COSTS: N/A

FISCAL YEAR COSTS BEGIN: N/A

## PROJECT SCHEDULE

	1st Cycle				2nd Cycle			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT CONSULTANT	X	X	X					
DESIGN			X	X				
BID PROCESS				X	X			
CONSTRUCTION					X	X	X	

PROJECT TITLE: Sports Park

CATEGORY: Parks and Recreation

PROJECT DESCRIPTION:

The Sports Park may include lighted ball fields/soccer fields, basketball and volleyball courts, parking lots, restrooms, concession stand, group picnic area and playgrounds.

Refer to Chapter 10 – Opportunity Study Area Public Facilities Business Plan for additional details.

PROJECT TITLE: Recreation Center

CATEGORY: Parks and Recreation

## PROJECT DESCRIPTION:

The City of Lake Forest has a stated need for a Recreation Center as identified by community surveys and input, staff input, and a Needs Assessment Study for the Recreation Center and Sports Park prepared in 2004. The proposed Recreation Center could feature an indoor gymnasium for basketball and volleyball courts, physical activity room, a main assembly area, senior facilities, meeting/class/technology/activities rooms, and kitchen facilities.

Refer to Chapter 10 – Opportunity Study Area Public Facilities Business Plan for additional details.

PROJECT TITLE: Regency Park Improvements Project

CATEGORY: Parks and Recreation

**PROJECT DESCRIPTION:**

Regency Park is one of the City's current seven sports fields and is used for soccer. The park does not have any amenities or onsite parking. During soccer season, the surrounding neighborhoods are impacted with traffic and a lack of parking. This proposed project would construct an onsite parking lot, playground area, park perimeter pedestrian trail, and potentially a restroom building. The City was provided with a subdivision improvement bond by the William Lyon Company to fund improvements to Regency Park.

CAPITAL COST DETAIL				
Fiscal Year	Design	Construction	Other	TOTAL
2011-12	\$40,000			\$40,000
2012-13		\$341,000		\$341,000
2013-14				
2014-15				
2015-16				
TOTAL	\$40,000	\$341,000		\$381,000

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Subdivision Improvement Bond	100%

**OPERATING BUDGET IMPACT**

ANNUAL OPERATING COSTS: \$3,500

FISCAL YEAR COSTS BEGIN: 2013-14

**PROJECT SCHEDULE**

	FISCAL YEAR 2011-12				FISCAL YEAR 2012-13			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
SELECT	X							
CONSULTANT								
DESIGN		X	X	X				
BID PROCESS					X			
CONSTRUCTION						X	X	

PROJECT TITLE: Orange County Animal Care Center

CATEGORY: Other

## PROJECT DESCRIPTION:

Lake Forest is participating in discussions with other Orange County Animal Care contract cities regarding the County's plans for a new animal shelter to replace the facility in Orange. The County has developed plans for a new, state-of-the-art, \$23 million animal shelter, designed to be located on a five-acre property at the former Marine Corps Air Station Tustin.

CAPITAL COST DETAIL				
Fiscal Year	Design*	Construction**	Other	TOTAL
2011-12				
2012-13				
2013-14				
2014-15				
2015-16	\$92,000	\$368,000		\$460,000
TOTAL	\$92,000	\$368,000		\$460,000

\*Projected design costs based upon Lake Forest 2% share of animal shelter costs

\*\* Construction costs based upon Lake Forest 2% share of animal shelter costs

SOURCE OF FUNDING	
SOURCE	ALLOCATION
Capital Improvement Projects Fund	100%

## OPERATING BUDGET IMPACT

ANNUAL OPERATING COSTS: To be determined; based upon usage

FISCAL YEAR COSTS BEGIN: 2016-17

## PROJECT SCHEDULE

FISCAL YEAR 2015-16  
To be determined in conjunction with the County

Jul- Oct- Jan- Apr-  
Sep Dec Mar Jun

SELECT  
CONSULTANT  
DESIGN  
BID PROCESS  
CONSTRUCTION



## CHAPTER 10

### OPPORTUNITY STUDY AREA PUBLIC FACILITIES BUSINESS PLAN

#### SUMMARY

The Opportunities Study Area Public Facilities Plan was first adopted in 2009 as part of the City's Five-Year Strategic Business Plan. As the residential housing market gradually recovers, significant private development is anticipated over the next five-year planning period. This construction activity is expected to generate over \$100 million in fee revenue, which, when combined with the City's public facilities investment, will be used to fund the design and construction of major City capital projects, such as the Sports Park, Recreation Center, and Civic Center. This chapter provides a financing plan designed to "bridge" the temporary cash flow shortfalls that result from the anticipated development schedule. The financing model assumes up to three debt issuances, allowing the City to deliver the public projects in advance of OSA buildout without drawing on any additional City fund balances.

#### Background

In 2008, following five years of study, analysis and negotiations, the City Council voted to certify the Opportunities Study Area (OSA) Final Program Environmental Impact Report and approve a General Plan Amendment and zone changes for approximately 800 acres of land located near the 241 Toll Road. Additionally, the Council approved Development Agreements with four landowners – Irvine Ranch Water District, Pacific Heritage, Portola Center, and Whisler Ranch. Due to the magnitude and critical importance of this project, the 2009 update to the City's Five-Year Strategic Plan included a chapter dedicated to the OSA; specifically, the 2009-14 OSA Public Facilities Plan discussed upcoming City capital projects anticipated to be funded from development fees.

## Rezoning in Lake Forest

The Lake Forest Opportunities Study calls for more park space and public facilities such as neighborhood parks, a sports park, and a community center in the study area. Below are the sites that have been studied:



①	②	③	④	⑤
<b>Shea/Baker Ranch</b>	<b>Portola Center/Baldwin</b>	<b>Serrano Summit</b>	<b>Whisper Ridge</b>	<b>The Pinnacle</b>
Total: 387 acres	Total: 243 acres	Total: 82 acres	13 acres	18 acres
Park: 26 acres	Park: 13 acres	Park: 3 acres	<b>Planned use:</b>	<b>Planned use:</b>
<b>Planned use:</b> 2,815 homes, mixed uses, neighborhood parks	<b>Planned use:</b> 930 homes, sports park, neighborhood parks, commercial development	<b>Planned use:</b> 833 homes and park, 9 acres reserved for Lake Forest civic center	<b>Planned use:</b> 68 single-family homes	<b>Planned use:</b> 85 single-family homes

Despite prolonged instability in the residential housing market and the resultant lack of construction in the OSA since the Development Agreements (DAs) were approved, there have been several notable achievements over the past two years, including City Council approval of a DA with Shea Baker Ranch Associates (SBRA), the largest of the five participating landowners in the OSA study. This milestone event marked the formal beginning of the full implementation phase of the OSA, which includes processing tentative maps and the construction of private development and public facilities.

This chapter is intended to highlight strategic City Council decisions that have established the framework for the major capital projects, and provide a financial “roadmap” for delivering the public facilities over the next five-year planning horizon (fiscal years 2011-2016).

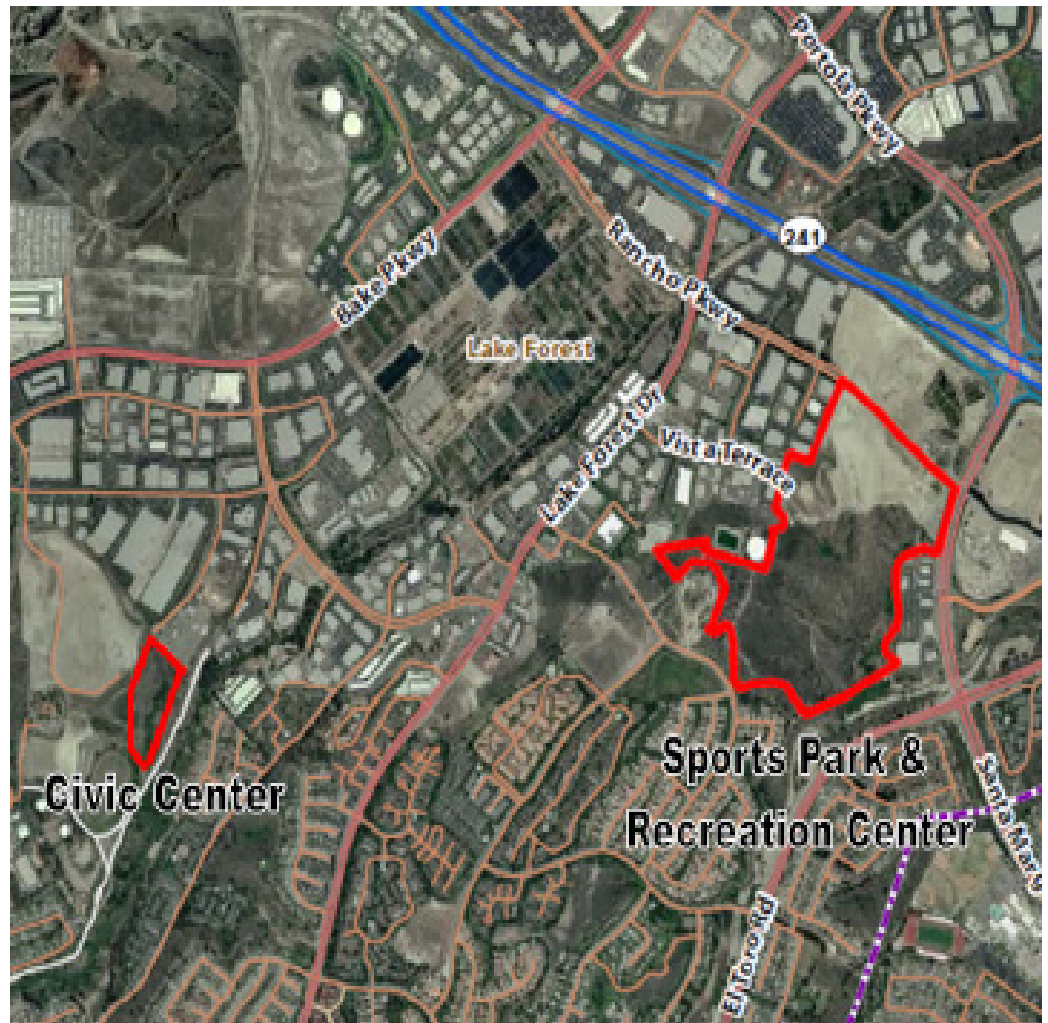
## Advancing Public Facility Projects

A portion of the public benefits provided by the DAs in exchange for a vested change of land use to residential development includes a financial contribution towards a community Sports Park, Recreation Center, and Civic Center, and the requisite improved land for these facilities. Each landowner will pay its pro-rata share of the public benefit package with a public facilities fee (PFF) attributed to each residential unit approved with the tentative tract maps, to be paid at the issuance of each building permit. The DAs also allow for community facility district (CFD) bond financing that, if utilized, could accelerate the funding of the PFF prior to the issuance of building permits. However, based on the current bond market, a project must be well underway before CFD bonds can be sold.

Based on the anticipated number of residential units, the total projected PFF revenue from the five OSA projects is approximately \$95 million. The DAs provide for a limited amount of advanced PFF funds to be paid by the landowners regardless of the timing of their respective projects to fund planning and design of the Sports Park and Recreation Center. The total advanced funding of approximately \$2.3 million has been received from the five landowners.

Using advanced PFF funding, the City launched the master planning and environmental review process for the proposed Sports Park in June 2009. The land exchange agreement approved by both the County and the City in April 2009 provided the City with 58.6 acres of land south of Portola Parkway and west of El Toro Road (“Glass Creek Property”). Of that acreage, up to 38 acres can be used for active public park purposes (although the maximum development area solely of the Glass Creek parcel is currently considered to be approximately 34 acres). The 2009 OSA Public Facilities Plan estimated that improvement of a 34-acre Sports Park on the Glass Creek property – with the requisite grading and infrastructure – would require an investment by the City of up to approximately \$38 million depending on the actual area used for recreation activities and other variables. Consequently, the Council approved two fund transfers of

roughly \$19 million each in fiscal years 2009-10 and 2010-11 from the City's reserves to the OSA Projects Fund to provide the necessary capital to construct active-use park facilities on the Glass Creek site.



The Master Plan for the Sports Park was approved by the City Council in August 2009. In September 2010, the City Council selected RJM Design, Inc. to provide final design services for the Sports Park. In addition, the City Council approved limited contracts for certain technical work, such as grading and drainage studies, important to the preparation of environmental documents and to avoid unnecessary delays in the project.

As part of the Master Plan for the park, the City Council determined that, in addition to the Glass Creek property, the acquisition of approximately 15 acres of adjacent property owned by Baker Ranch Properties ("BRP") would

greatly enhance the City's ability to provide the anticipated recreational facilities. The City subsequently entered into negotiations with BRP that resulted in a Purchase Agreement approved by the Council in September 2010. Under the Purchase Agreement, the City acquired 15 acres of the Baker Ranch property for \$12.6 million, plus an additional 4 acres of land for the construction of Rancho Parkway, which is envisioned to serve as the primary access for the Sports Park. The City closed escrow on the Baker Ranch property in November 2010. This acquisition increased the City's holdings of land for sports park purposes at this location to approximately 74 acres; negotiations to potentially acquire an additional 13 acres of adjacent land (often referred to as the "Rados" property) are currently underway. The map at right depicts the three parcels included in the Sports Park planning process.



As part of the Baker Purchase Agreement, the City is required to complete the Rancho Parkway extension project by December 31, 2012; the Environmental Impact Report for Rancho Parkway has been certified and the project is currently under design.

In addition to acquiring the 15-acre Baker parcel, the City also implemented a second property exchange with the County of Orange. Though the original exchange resulted in the County granting the 58.6-acre Glass Creek Property to the City, the County retained an open space preservation easement on 20.6 acres within the property's periphery, as seen on the map above. In April 2011, the City and County approved a second property exchange in which the City assumed sole control of the 20.6 acre easement.

Concurrent with the land acquisition and property exchange, City staff proceeded with the environmental clearance and resource agency permitting process necessary to construct an active-use sports park on the site. Some of these efforts culminated on April 19, 2011, when the City Council certified the Environmental Impact Report for the Sports Park and selected a preferred design alternative (see map on following page). RJM is moving forward with design document preparation and, pending resource agency permit approval, clearing and grubbing at the site is set to begin in fall 2011, with mass grading starting in spring 2012. Construction of park improvements is expected to begin in fiscal year 2012-13, with fields ready for play in late 2013. Estimated project costs will be discussed later in this chapter.



In addition to the Sports Park, the City began preliminary planning for a new Civic Center facility. Pursuant to the DA with the Irvine Ranch Water District (IRWD), the City received an Irrevocable Offer of Dedication (IOD) for a 9-acre site on a portion of the IRWD property located at the extension of Indian Ocean Drive intended for future use as a Civic Center. On May 17, 2011, the Council held its first public workshop related to the Civic Center.

## Private OSA Development Activity

In contrast to the bleak economic outlook that prevailed during the 2009 OSA Public Facilities Plan, there are encouraging signs in the current residential housing market, with all five landowners actively working with City staff to advance their respective projects. In October 2010, the City Council approved the Tentative Tract Map and environmental

document for the Whisler Ranch property. Grading at the site is underway, and the developer (KB Homes) has indicated construction could begin later this year. All four of the other landowners are in varying stages of the entitlement process, and City staff is working collaboratively with the applicants to process the environmental documents, area plans and tentative maps while meeting DA obligations.

Based on landowner phasing projections and considering the current status of individual development applications, the earliest the City should expect to see significant development activity in the OSA is fiscal year 2012-13. The maximum number of units allowed under the five approved DAs is 4,738. Based on tentative map submittals, the total number of units is likely closer to 4,000. It is important to keep in mind that development forecasts are highly speculative, dependent on a number of under-defined variables, and must be continually refined.

With respect to Community Facility District (CFD) financing, staff is currently working with IRWD on the formation of a financing district for IRWD's Serrano Summit project, and expects to begin the formation of a CFD that will encompass the SBRA property in fall 2011. Due in part to the current bond market as well as questions related to a recent court decision requiring payment of prevailing wages, it is difficult to speculate when PFF funds collected through CFDs could occur. At a minimum, industry experts believe the bond market will not support a CFD bond issuance until a project is well underway. For this reason, staff's revenue projections conservatively assume fees will be collected at building permit issuance.

#### Public Facility Costs and Scheduling

To date, the City Council has approved expenditures of roughly \$14 million to acquire approximately 74 acres of land for the future Sports Park. This equates to a cost of less than \$200,000 per acre. In addition to \$95 million in total PFF revenue, the City is expected to receive \$11 million in Lake Forest Transportation Mitigation ("LFTM") fees and roughly \$8 million in Foothill Corridor Phasing Program

(“FCPP”) road fees. When combined with the initial \$38 million City investment and previously-approved capital project appropriations, the total OSA revenues are expected to be sufficient to cover the costs of the entire OSA public facilities package, comprised of the following projects:

- **Sports Park:** The Sports Park project is envisioned to include up to 85 acres of active and passive recreation uses, making it the largest of its kind in South Orange County. The current estimate to complete the Sports Park is \$77 million, which includes all land acquisition costs.
- **Recreation Center:** The Recreation Center, which will include a gymnasium, is planned at the Sports Park site and is estimated to cost an additional \$20 million.
- **Civic Center:** The Civic Center, which could include a City Hall and Community Meeting Center, is being planned for the 9-acre site dedicated by IRWD. The estimated cost to construct the entire facility is \$36 million.
- **Alton Parkway:** The City’s segment of Alton Parkway, between Commercentre Drive and Towne Centre Drive, will be completed in fall 2011. The cost of this City capital project is approximately \$8 million; the project cost will be fully reimbursed by FCPP road fee collections.
- **Rancho Parkway:** This project will complete Rancho Parkway, between Portola Parkway and its existing terminus, and will serve as the primary access route to the Sports Park. The cost of the project is estimated at roughly \$3 million, and is budgeted in the City’s current capital projects budget.
- **LFTM Intersections:** This project will provide traffic improvements at 16 intersections throughout the city to mitigate OSA development. The improvements are estimated at \$13 million, and will be funded by developer-paid LFTM impact fees and FCPP road fees.

The total cost of the projects described above is estimated at approximately \$157 million. Though OSA fee revenue

is expected to cover the difference between the \$157 million total cost and the City's previous and anticipated investments in the projects, large-scale development activity is not expected to begin for at least another year, and OSA buildout is anticipated to occur over a period of several years. Assuming a gradual housing market recovery and a conservative private development schedule, the City would likely receive most of the OSA fee payments between 2013 and 2017. Consequently, the City would be unable to deliver many of the major OSA public benefits on a "pay as you go" basis (i.e. internal cash finance) within the proposed schedules shown:

Alton Parkway																			
Rancho Parkway																			
LFTM (Phased)																			
Sports Park																			
Recreation Center																			
Civic Center																			
<b>DESIGN</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>CONSTRUCTION</b>	FY 2011-12				FY 2012-13				FY 2013-14				FY 2014-15						

In particular, there would be insufficient PFF revenue to construct the Sports Park and Recreation Center within the previously identified desired timeframes. With respect to the Sports Park, a cash flow shortfall of over \$6 million is expected in fiscal years 2011-12 and 2012-13. Similarly, the Recreation Center would experience an approximate \$3 million shortfall in fiscal years 2011-12 and 2012-13. Consequently, on a "pay as you go" basis, full construction of the Sports Park would need to be delayed by approximately two years, pushing completion into 2015. The Recreation Center would also need to be delayed two years to allow for sufficient PFF revenue; this would result in completion in 2017. Construction of a Civic Center would also need to be significantly delayed in order to allow for receipt of additional fee revenue. The table below highlights the expected annual cash flow shortfalls (shown in red) for the major public facility projects based on the projected development schedule:

Public Facility Sources & Uses (in Thousands)							
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Sports Park							
	Uses	\$28,379	\$29,070	\$10,598	\$0	\$0	\$0
	Sources	\$25,235	\$25,085	\$20,248	\$8,825	\$18,770	\$25,705
	Ending Balance	(\$2,082)	(\$3,984)	\$18,645	\$8,825	\$18,770	\$25,705
	Surplus Funds	\$0	\$0	\$18,645	\$8,825	\$18,770	\$25,705
FY 2013-14 is the first year in which a surplus is realized after making up for the shortfalls in FY 2011-12 and FY 2012-13. Beginning with FY 2013-14, any surplus is transferred to the Recreation Center Project. FY 2013-14 Uses include FY 2013-14 project costs and reimbursement of FY 2011-12 and FY 2012-13 shortfalls.							
Recreation Center							
	Uses	\$1,350	\$2,772	\$10,448	\$7,085	\$0	\$0
	Sources	\$1,215	\$	\$18,545	\$8,825	\$18,770	\$25,705
	Ending Balance	(\$142)	(\$2,772)	\$8,197	\$1,140	\$18,770	\$25,705
	Surplus Funds	\$0	\$0	\$8,197	\$1,140	\$18,770	\$25,705
FY 2013-14 is the first year in which a surplus is realized after making up for the shortfalls in FY 2011-12 and FY 2012-13. Beginning with FY 2013-14, any surplus is transferred to the Civic Center Project. FY 2013-14 Uses include FY 2013-14 project costs and reimbursement of FY 2011-12 and FY 2012-13 shortfalls.							
Civic Center							
	Uses	\$0	\$4,296	\$7,862	\$28,281	\$18,770	\$8,058
	Sources	\$0	\$0	\$8,197	\$1,455	\$18,770	\$25,705
	Ending Balance	\$0	(\$4,296)	\$315	(\$25,825)	\$0	\$18,540
	Surplus Funds	\$0	\$0	\$315	\$0	\$0	\$18,540
FY 2013-14 Uses include FY 2013-14 project costs and reimbursement of the FY 2012-13 shortfall. FY 2014-15 Sources include the positive ending balance from FY 2013-14. FY 2015-16 Uses include partial reimbursement of FY 2014-15 shortfall. The remainder of the reimbursement of the FY 2014-15 shortfall is included in FY 2016-17 Uses. FY 2016-17 is the first year in which a surplus is realized after making up for the shortfall in FY 2014-15.							

With this in mind, the ability to deliver the public facility projects within the five-year planning horizon can best be seen as a cash flow challenge. In other words, to what extent will the projected fee revenue be sufficient to cover the annual costs associated with designing and constructing multiple capital projects within the desired timeframes? To answer this question, City staff worked with our financial advisor to develop a comprehensive OSA cash flow model and prepare a financing plan designed to “bridge” the cash flow shortfalls discussed previously.

## Debt Financing

The conservative housing unit projections call for significant construction activity to begin in fiscal year 2012-13, with major development in fiscal year 2013-14 continuing through fiscal year 2016-17 and tapering off in fiscal year 2017-18. Based on the unit projections, staff forecasted fee revenue using a 2% annual escalation rate. Using the annual revenue estimates, a multi-phase financing plan was developed to allow for delivery of the OSA capital projects in advance of private development buildout without any

additional transfers from City fund balances. The financing plan is dependent on City Council approval of up to three debt issuances, and capitalizes on the City's strong bond rating. Further, by virtue of accelerating the projects, the City would enjoy favorable labor and commodity prices that may not be available in the long-term.

While debt financing inherently involves greater risk than a "pay as you go" approach, the City's risk exposure can be almost entirely mitigated at each financing phase by re-assessing the condition of the local housing market and confirming that significant OSA private development is either underway or imminent prior to debt authorization.

The debt financing plan utilizes the conservative development projections discussed earlier in this section and anticipates roughly \$95 million in PFF revenue over a seven-year project buildout beginning in fiscal year 2011-12. Under the phased plan, the City would implement a series of up to three financings over a two-year period as follows:

- Debt Issuance #1 (early Fiscal Year 2011-12): The City will receive \$10 million in bond proceeds that will be used to fund Alton Parkway, Rancho Parkway, and advance limited LFTM intersection improvements. The proceeds will release currently-encumbered City funds in the Capital Improvement Projects Budget for the potential acquisition of additional property or to fund construction activities. In July 2011, the Council took action to implement this initial financing, and the proceeds are expected to be available in August 2011.
- Debt Issuance #2 (late Fiscal Year 2011-12): The City would receive \$9 million in bond proceeds that would be used to augment funding for the Sports Park and Recreation Center. The proceeds would cover the PFF revenue shortfall in Fiscal Years 2011-12 and 2012-13 discussed earlier.
- Debt Issuance #3 (Fiscal Year 2012-13): The City would receive \$30.5 million to fund the Civic Center improvements, allowing for completion of the project in

2014, when the City's existing City Hall lease is set to expire.

The bond proceeds will essentially allow the City to "bridge" the PFF cash flow shortfalls that result from the anticipated seven-year private development schedule. Further, the debt would be structured to include two years of capitalized interest, which allows for the deferral of debt service payments for a two-year period. In theory, the OSA private development activity over the two-year deferral period would generate sufficient PFF revenue to fully cover the City's annual debt service. Moreover, the bonds would include an early call provision, providing the City the option to retire the bonds and eliminating the City's debt obligation upon OSA buildout. Based on the current development projections, the City will accumulate sufficient PFF to retire the debt by 2017-18.

The primary risk associated with the debt financing plan is the potential for the City to become overly leveraged in advance of private development certainty. In other words, the financing plan assumes annual PFF revenue will cover the City's debt service; if residential construction stalls or the OSA landowners reduce their respective unit counts, the PFF revenue alone would not be sufficient and the City would need to identify an alternative funding source for debt payment. For this reason, the financing plan recommends an incremental, phased approach, whereby the City carefully examines the condition of the housing market and the progress of the OSA development prior to advancing debt issuance.

Specifically, City staff would confirm that private development targets are being met, if not exceeded, before recommending the Council authorize the issuance of debt. In the instance actual development activity is not meeting projections or the number of planned units decreases, staff would recommend the Council delay or forego debt issuance. This would result in either a corresponding delay in the public facility project(s) schedule or, if deemed appropriate by the Council, another funding source would need to be identified to cover the cash flow shortfall. In no

instance would staff recommend the Council authorize debt issuance without overwhelming evidence that significant development is underway or imminent.

Another reason to continually re-examine the status of the OSA private development and public facilities projects prior to any decision to issue debt is that there are several potential scenarios in which Debt Issuance #2 (i.e. \$9 million in proceeds) would not be necessary. For example, if actual private development significantly outpaces the conservative projections used as the basis for the financing plan, if additional funding is identified (e.g. grant revenues), or if there is an intentional delay in the Recreation Center project, it is likely that PFF revenue would be sufficient to fund the Sports Park without issuing the second series of bonds.

### Conclusion

Lake Forest is expected to see tremendous growth over the next five years, as thousands of residential units are added and new public facility and road projects improve the quality of life for the community as a whole. Because the OSA public benefits are envisioned to be funded by development fees, the individual project schedules are largely dependent on a housing market recovery.

The City's multi-phase debt financing plan is designed to allow for delivery of the capital projects in advance of OSA buildout and within the desired timeframes without drawing on any additional City fund balances. Further, the financing plan capitalizes on the City's strong credit rating and the competitive bidding environment while mitigating risk by continuously re-evaluating the condition of the housing market prior to authorizing debt issuance. In the event that private development stalls and the annual unit projections are not realized, the City Council would have the option to suspend debt issuance and proceed with the public facilities on a "pay as you go" basis until PFF income is realized.

## CHAPTER 12 CONCLUSION

The Five-Year Strategic Business Plan represents the City's efforts to respond to the needs of the community while maintaining a balanced budget and providing a fiscally conservative roadmap for the future. This roadmap allows the City to continue providing quality services to the community while at the same time remaining fiscally responsible.

Of utmost importance in developing the Plan is responding to the strategic issues facing Lake Forest over the next five years. Strategic issues are identified by understanding and listening to the community and its evolving wants and needs through collection and analysis of demographic data along with biennial survey responses to identify current and future trends. The strategic issues facing Lake Forest over the next five years are traffic, public safety, community services and public facilities, economic development and redevelopment, community and regional planning, and environmental and infrastructure issues. These issues serve as guides in developing the projects and programs in this 5-Year Plan, as well as City-wide and departmental goals.

To address traffic issues, the City will continue to apply a combination of strategies including implementing traffic signal synchronization, citywide traffic modeling, and constructing gap closure projects such as Alton Parkway and Rancho Parkway. Public safety will continue to be a top priority with the City's commitment to ensuring a full breadth of law enforcement services to prevent and reduce crime and maintain neighborhoods. Based upon current projections, the City will focus on offering programs to accommodate the interests of a broad spectrum of ages, from pre-schoolers to seniors. The City will also focus on projects and programs to bolster property values throughout the City, both in commercial and residential areas. Understanding that the City's residents are highly educated and expect to be recognized and compensated as such, the City will continue to focus its efforts on attracting employers

who can utilize the local Lake Forest workforce. Finally, the City will proactively monitor the communication preferences of residents across all demographics as new technologies emerge to continue communicating in the most relevant ways possible.

Maintaining a balanced budget requires a careful review of projected revenues and expenditures when planning for the future and identifying projects and programs to be funded. Based on available projections, it appears that the City is slowly beginning to recover from the recession and its effects on the City's revenues. When projecting revenues, the City has chosen to use the more conservative spectrum of estimates. Looking ahead, as the overall economy stabilizes and begins to recover from the effects of the recession, it is expected that the City's diverse revenue base will realize stable, modest growth.

Incorporated into the Plan is a five-year schedule of new operating programs and capital improvement projects. The new operating programs/projects and capital improvement projects in the first two years of the Plan represent those approved in the Fiscal Year 2011-12 Operating Budget and the 2011-13 Capital Improvement Projects Budget. During the five-year period, the City will have implemented and/or completed 6 new operating programs and projects and 13 capital improvement projects.

Working with projections is an inexact science, especially in today's economic climate. A major component of the financial projections are the revenues and expenditures surrounding the OSA projects detailed in Chapter 10 (five housing projects and six public facilities). When projecting these revenues and expenditures, the City has maintained its conservative approach. Since the City has committed to building the long-awaited Sports Park within the five-year planning period, the City has accounted for and included the corresponding maintenance expenditures. However, the City has chosen to defer the recognition of any projected revenues, including property taxes, sales taxes, and franchise fees, due to the uncertainty surrounding the timing of these revenues.

The following pages provide a five-year summary of the revenues and expenditures in the General Fund and the Reserve Fund. Data from the projections for the General Fund show expenditures increasing at a faster rate than revenues starting in Fiscal Year 2013-14 -- Year 3 of the 5 year planning period. This gap is a result of the recovering economy combined with the projected costs associated with the development and maintenance of new public facilities in advance of the collection of associated revenues via property and sales taxes.

At this point, the City has chosen to show anticipated costs for new public infrastructure, such as the sports park, but not all anticipated new revenue due to fluctuating economic conditions and the housing market. While expenditures will appear to exceed revenue in years three through five, the City anticipates the ability to accommodate new needs without creating a permanent structural deficit.

Over the next two years the City will remain vigilant in its monitoring of all revenues and expenditures. The City recognizes the need to remain flexible when reviewing existing and future needs and has prioritized programs and projects to provide the best service possible to the community within existing budgetary constraints. Although the Plan contemplates a five year horizon, the City prepares a new Plan every two years. This biennial review allows for the inclusion of better information as well as an opportunity to forecast expenditures and revenues based upon then current data. The Plan development and review process allows the City to be proactive, rather than reactive, and make sound decisions based on quality analysis.

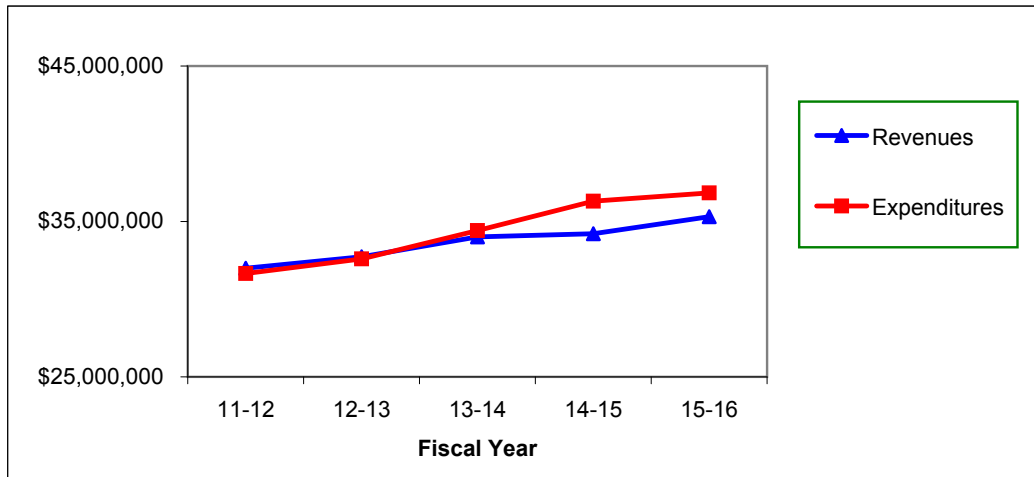
At the end of the five-year planning period covered by this Plan, the General Fund balance is estimated to be approximately \$9.3 million. Additionally, per the City's Reserve Policy, the City continues to ensure that all reserves are fully funded.

This Plan represents the City's efforts to continue providing quality services to the community and maintaining a high

quality of life while remaining fiscally responsible. As a result of the City's fiscally conservative policies, the City is well-positioned to continue weathering current economic conditions. As always, the City encourages and welcomes community feedback and participation in continuing to maintain a high quality of life in Lake Forest.

## GENERAL FUND

	2011-12	2012-13	2013-14	2014-15	2015-16
BEGINNING BALANCES	\$16,089,600	\$15,904,100	\$15,426,300	\$14,180,900	\$11,661,200
REVENUES:					
Local Taxes	29,331,900	29,938,800	30,632,800	31,345,800	32,076,800
Other Governments	306,100	310,500	314,500	319,500	324,500
User Fees and Charges	804,700	984,000	1,524,300	960,400	1,264,900
Licenses and Permits	480,000	480,000	480,000	480,000	480,000
Fines and Forfeitures	515,000	515,000	515,000	515,000	515,000
Use of Money and Property	414,000	456,000	502,000	553,000	609,000
Other Revenue	135,300	39,300	39,300	39,300	39,300
<b>TOTAL REVENUES</b>	<b>31,987,000</b>	<b>32,723,600</b>	<b>34,007,900</b>	<b>34,213,000</b>	<b>35,309,500</b>
OPERATING EXPENDITURES:					
City Council	227,600	232,300	237,000	241,800	246,700
City Manager	775,300	816,100	875,200	931,000	990,500
City Attorney	1,222,880	1,247,400	1,272,500	1,298,100	1,324,200
Finance	950,500	988,300	1,395,700	1,160,500	1,218,300
Development Services	2,456,700	2,356,200	2,492,900	3,123,700	2,761,800
Public Works	6,769,900	6,959,900	7,160,000	7,390,400	7,630,600
Management Services	2,452,500	2,497,100	2,611,900	2,734,100	2,854,000
Community Services	2,932,900	3,032,100	3,118,400	3,239,100	3,365,800
Police Services	13,534,600	13,854,000	14,261,900	14,691,700	14,901,600
Redevelopment/Economic Development	328,300	341,700	359,300	376,300	394,200
Personnel Changes	0	59,400	59,400	59,400	59,400
Operating Cost of New Capital Projects	0	211,000	568,300	1,061,000	1,094,100
<b>TOTAL OPERATING EXPENDITURES</b>	<b>31,651,200</b>	<b>32,595,500</b>	<b>34,412,500</b>	<b>36,307,100</b>	<b>36,841,200</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>335,800</b>	<b>128,100</b>	<b>(404,600)</b>	<b>(2,094,100)</b>	<b>(1,531,700)</b>
Capital Improvement Projects					
<b>TOTAL EXPENDITURES</b>	<b>31,651,200</b>	<b>32,595,500</b>	<b>34,412,500</b>	<b>36,307,100</b>	<b>36,841,200</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>335,800</b>	<b>128,100</b>	<b>(404,600)</b>	<b>(2,094,100)</b>	<b>(1,531,700)</b>
Interfund Transfers	(521,300)	(605,900)	(840,800)	(425,600)	(798,800)
<b>ENDING BALANCES</b>	<b>\$15,904,100</b>	<b>\$15,426,300</b>	<b>\$14,180,900</b>	<b>\$11,661,200</b>	<b>\$9,330,700</b>



## RESERVE FUNDS

	2011-12	2012-13	2013-14	2014-15	2015-16
BEGINNING BALANCES	\$17,694,400	\$17,910,000	\$18,204,800	\$18,718,300	\$18,800,500
Interfund Transfers	215,600	294,800	513,500	82,200	438,600
<b>ENDING BALANCES</b>	<b>\$17,910,000</b>	<b>\$18,204,800</b>	<b>\$18,718,300</b>	<b>\$18,800,500</b>	<b>\$19,239,100</b>

